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World Business Newspaper http://www.FT.com MONDAY OCTOBER 20 1997

WORLD NEWS

Lamb and calf brains may be added to EU's food chain ban

Brains of calves and lambs, favoured as delicacies by many people, including French president Jacques Chirac, could soon be removed by law from the tables of Europe as the European Commission considers widening to younger animals its food-chain ban on cerebral matter of sheep, cows and goats more than one year old. Page 18

US pressed on sanctions
Canada and the European Union are pressing the US to accept strict limits on extra-territorial measures affecting investments by non-US companies in third countries. Page 3

BAA to continue discounts
BAA, the UK airports operator, says it will still offer European passengers a discount of some 20 per cent on liquor and tobacco, even if tax and duty-free shopping in Europe is abolished in July 1999. Page 20

Consumer protection target
Britain plans to use its presidency of the EU next year to harmonise consumer protection laws and product safety standards among member states. Page 2

Serbia privatisation in doubt
Electoral setbacks for the ruling Socialists and confusion over a new privatisation law have thrown doubt on Serbia's plans to sell state-owned assets at what one bank has called "bargain basement prices". Page 2

Romania to open police files
Romania has decided to open the files of the Securitate, the dreaded secret police of the former Communist regime. Page 2

Russian debt deal advances
Russia will take the final step in restructuring the foreign debt of the former Soviet Union next year when the country's top debt negotiator expects to complete a deal on $5bn-$6bn worth of suppliers' credits. Page 2

Ban on Japanese ships to end
The independent US Federal Maritime Commission is today expected formally to lift a ban against Japanese shipping companies using US ports, following a tentative agreement over reforms to restrictive harbour practices in Japan. Page 3; Editorial Comment, Page 17

Thai finance minister quits
Thanong Bidaya, Thailand's finance minister, said he would step down because he lacked the power and seniority to implement the tough reforms needed to solve Thailand's economic and financial crisis. Page 18

Schröder takes fourth wife
Gerhard Schröder, likely leftwing Social Democrat challenger next year to Germany's Chancellor Helmut Kohl has married for a fourth time. Schröder, 53, premier of Lower Saxony, wed journalist Doris Koepf, 33.

Truck crash kills 65
A truck overloaded with 120 people fleeing fighting in Freetown, Sierra Leone, tipped over and fell from a bridge, killing 65.

China on trade mission
China has sent its largest purchasing mission to the US in a bid to to ease concerns over the trade deficit between them before President Zemin's visit to Washington next week. Page 4

Uttar Pradesh coalition crisis
The government of turbulent Uttar Pradesh, India's most populous state, appeared to have collapsed as the low-caste Bahujan Samaj party withdrew from a seven-month-old coalition with the Hindu nationalist Bharatiya Janata party. Page 4

BUSINESS NEWS

Coca-Cola and AT&T prepare for changes at top level

Coca-Cola and AT&T are both preparing for changes at the top following the death of Coca-Cola's chairman and chief executive Roberto Goizueta, and a decision on a successor for AT&T's Robert Allen. Coca-Cola is expected to choose chief operating officer Doug Ivester, whilst AT&T is set to announce it has chosen Michael Armstrong, of Hughes Electronics. Page 19; Obituary, Page 22

EU competition commissioner Karel van Miert has ordered a final review of the merger of P&O and Stena Line's cross-Channel ferry operations – a signal the year-long approval process is coming to s close. Page 20

Kvaerner, Anglo-Norwegian engineering and shipbuilding group, is close to a deal to take over the Philadelphia Naval Shipyard and convert to build commercial tankers, creating up to 6,000 new jobs. Page 19

Redland, UK roof tile and aggregates group, has received approaches from rivals interested in buying all or part of it, after last week's £1.67bn ($2.7bn) hostile bid from French building materials group Lafarge. Page 19

Ecuador, world's biggest banana exporter, is demanding full compliance by the European Union with a WTO ruling ordering it to dismantle part of its banana import regime. Page 3

INA, German-owned bearings and car parts company, is planning to expand its UK plant in Llanelli in south Wales. Page 6

Mercedes-Benz of Germany is to challenge British carmaker Rolls-Royce Motors by unveiling a "concept" car to form the basis of a new luxury limousine. Badged as a Maybach, it will go on show at this week's Tokyo motor show. Page 18

WorldTel, London-based telecoms group, has linked up with Telefonia Inalambrica del Norte and Bell Canada International to offer local phone services in Mexico. Page 5

Egypt is to issue $300m of eurobonds to establish a sovereign benchmark – giving domestic banks cheaper access to international markets. Page 22

Eurogold, a joint French-Australian-Canadian venture, has had its operating licence cancelled by a Turkish court just as the country's first gold mine was to begin production. Page 19

China's biggest Hong Kong-listed companies – the 'Red chips' – are to hold talks in Beijing with politicians and regulators in a bid to gain support for asset injections and acquisitions. Page 4

Bass, UK brewer, is taking court action after failing to delay moves by Japanese bank Nomura to merge Czech brewers Radegast and Plzensky Prazdroj. Page 21

Falconbridge, Canadian mining company, has a 74 per cent fall in third quarter profits, because of declining nickel prices and a strike in August. Page 20

Costa Rica's Supreme Court told the state-owned Electricity Institute to stop work on power lines supplying a chip factory being built by Intel. Page 5

South Korea is to establish a 3,500bn won ($3.8bn) fund to save financial institutions by writing off bad loans. Page 2

Vanguard, US-based company which is the world's second-largest mutual fund manager with assets of $370bn, is considering entering the UK market. Page 20

UK seeks to reassure EU partners over entry to Emu

Concern growing over possible turbulence in financial markets

By Robert Peston and Samer Iskandar in London and Lionel Barber in Brussels

The British governmeot last night sought to reassure European partners about joining a single European currency following growing concern there would be severe turbulence in European financial markets today.

The government indicated it was "bigbly unlikely" thst Britain would join the single currency for up to three years after its scheduled launch on January 1, 1999. But, in a nod to financial markets, Gordon Brown, the UK cbancellor, made clear be retained s positive attitude to European economic and monetary union (Emu). "We remain in principle in favour of Emu," said an adviser.

The government response comes after a sharp increase in UK equity prices following a Financial Times report last month that Britain was moving closer to participation. However, statements over the weekend made clear a decision on UK entry is likely to be deferred until after the next general election.

In a further attempt to calm equity, bond and currency markets, Mr Brown is expected to make another statement todsy that government policy will be geared to meeting his "five economic tests" which be has set as preconditions of sterling's membership of a single currency. These include sticking to the economic convergence criteria relating to public borrowing and debt ratios laid down in the Maastricbt Treaty and the so-called "stability pact" to be followed by Emu members.

Market turmoil could severely test a new electronic trading system to be inaugurated on the London Stock Exchange today. "Anything that points to a delay in joining Emu would cast a shadow on tbe stock market," said David Brown, chief European economist at Bear Stearns.

Tony Blair, the UK prime minister, will say today in a meeting with Chancellor Helmut Kohl of Germany that sterling is likely to remain outside Emu for several years. "Tony [Blair] will be completely frank," said one of his close colleagues. But the government's unclear signals have prompted EU leaders to adopt s "wait-and-see" policy towards Britain joining Emu. Few expect it to join the first wave, but the feeling remains the UK will join in time for tbe introduction of euro notes and coins in 2002.

Earlier bullisb reports about Britain joining Emu at a relatively early stage encouraged Europeans wbo, for different reasons, want Britain to join as soon as possible. The pro-Emu camp in Scandinavia believes early British entry would allow sceptical Denmark and Sweden to ride in on Mr Blair's coat-tails. Many Germans belleve Labour's blend of flexible labour markets and fiscal discipline would help to make make Emu work and be a useful antidote to the French tendency towards state interventioo.

If Labour is now considering ruling out British entry for the lifetime of the present parliament, this would cause disappointment. A widespread view is that Mr Blair has no need to close off options on Emu at this stage. In this respect, Europeans are looking less towards a definitive official statement to parliament in tbe next few weeks than to what Mr Blair will bave to say in May 1998 when be chairs the summit at which the Emu members will be selected.

If the Britisb government adopts a more negative attitude towards Emu, it will reinforce the view that Mr Blair's pledge that Britain intends to seize a "leadership" role in Europe is mere talk.The recent French initiative to launch a new Franco-German-Russian summit was a warning shot to Mr Blair that Britain does not have a guaranteed seat at the top table.

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Lex, Page 18
Markets, Page 25,

Gordon Brown yesterday made it clear the UK was still committed to monetary union despite being 'highly unlikely' to join in 1999

Investors set for wave of European share issues

By Paul Betts in Milan and Tom Burns in Madrid

Investors will be faced with a wave of European privatisation share issues this week as the Italian government sells its entire 44.7 per cent stake in Telecom Italia, shares in France Telecom go on sale and the partial privatisation of Endesa, tbe Spanisb power group, is completed.

The Italian government is set to raise a total of L26.300bn ($15.2bo) from the sale of its stake in Telecom Ilalia – Europe's biggest secondary offering.

Tbe shares go on sale today – at the same time as shares in France Telecom make their debut on the Paris and New York stock excbsnges after tbe country's most successful privatisation. The partial privatisation of Endesa, the Spanish power group, is also completed today.

On Saturday, the Italian Treasury set s maximum price of LII.200 a share for tbe 700m shares on offer to Italian retail investors until Friday. Another 700m shares are being offered to institutional investors in Italy and elsewhere, as well as for public offerings in the US and Canada.

The government has placed 9.02 per cent of its stake, worth about L5,600bn. Tbe Treasury said about 1m Italian savers were expected to subscribe to the offer.

The success of the French government's sale of 25 per cent of France Telecom, wbich was beavily oversubscribed, has also increased the government's confidence over the outcome of one of its most ambitious privatisations.

The price of the $5.4bn Endesa initial public offering will be fixed after the New York Stock Exchange closes today. The 260m Endesa shares will be allocated tomorrow, reducing the shareholding of the government's holding company, Sepi, in the power group from 67 per cent to 42 per cent.

The Italian government bolds a 225m-share greenshoe option for Telecom Italis – a packet of shares beld back which can he issued after the listing to stabilise the share price. Some 150m shares have been reserved to fulfil bonus share entitlements for Italian retail investors wbo

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World equities, Pages 33-35

Saudis ban foreigners from gas fields

Government decides against exports in spite of massive reserves

By Robert Corzine in Yanbu, Saudi Arabia

Saudi Arahia yesterdsy dashed the hopes of western energy companies wben it declared natural gas exploration and production in the kingdom off-limits to foreigners for the foreseeable future.

Riyadh also decided against exporting natursl gas, even though western experts say it could become an important force in the growing international gas trade. Saudi reserves of natural gas are estimated at 204 trillion cubic feet, which would put the kingdom among the world's leading producers.

Ali Naimi, the oil minister, said the direct involvement of foreign companies in the up-stream gas sector "is not needed". He said Saudi Aramco, the state oil company, "was up to the task of developing the up-stream gas sector with little direct involvement of others."

Western oil companies had indicated they were prepared to spend billions of dollars in the Saudi natural gas industry, for domestic purposes and large-scale export schemes. They had hoped this might prove a step towards greater participation in the petroleum industry of Saudi Arabia, besides Kuwait the only big Arab oil producer closed to direct foreign investment.

Demand for gas in the kingdom is growing at about 8 per cent s year. High demand has recently prompted Aramco to begin searching for pure gas fields. Previously all gas produced was a by-product of oil production.

Gas is increasingly seen as vital to boost power generation and as feed stock for tbe fast-growing petrochemical industry, centred on Jubail on the Gulf and Yanbu on the Red Sea.

Foreign investment in the oil industry would be politically explosive, given the history of western exploitation of the kingdom's reserves and the very high profit margins that can be earned as a result of Saudi Arabia's low production costs. Returns on natural gas are much more modest and the foreign companies had hopes that the development of gas fields would have been less politically contentious.

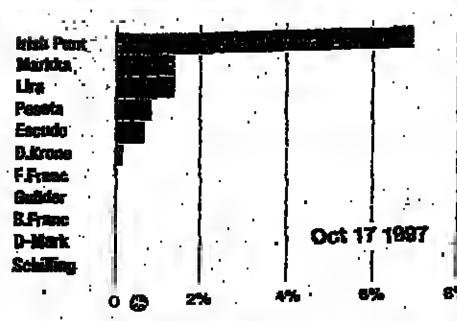
Western companies bad proposed several schemes by which Saudi Arabia could have met domestic demand while becoming a substantial exporter.

Mobil of the US believes Saudi Arabia could build a world-class liquefied natural gas facility for export to fast-growing Asian markets. Eni, the partially privatised Itallan oil group, says future reductions in the cost of long-haul transport of high pressure gas could even allow Saudi gas to be piped to the European market.

But Mr Naimi yesterday rejected such proposals, at least for the time being. Western oil executives, however, said it was still not clear whether Aramco, the world's largest oil exporter, will be able to undertake a massive expansion of its gas exploration and production programme at the same time as making big investments to maintain oil output at 8m barrels a day.

Government finances have improved as a result of higher oil prices hut there is still pressure for sdditional revenue. Yesterday Ibrahim Al Assaf, the finance and economy minister, announced that the privatisation of the state telecommunications company will take place in "early 1998".

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

The Austrian schilling replaced the French franc as the weakest currency in the European monetary system. Currencies, Page 27

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Moscow is preparing to pursue its own debtors – Vietnam and Algeria are first in line

Russia set for final debt restructuring

By Chrystia Freeland in Moscow

Russia will take the final step in restructuring the foreign debt of the former Soviet Union next year, when the country's top debt negotiator expects to complete a deal on $5bn-$6bn worth of suppliers' credits.

"After the suppliers' credits are restructured, Russia's foreign debt will be fully restructured," Andrei Kostin, president of Vnesheconombank, the state-owned bank responsible for servicing Russia's foreign debt, said in an interview. "We will do this some time next year."

The suppliers' credits, money owed to foreign suppliers of goods and services left in the lurch when the disintegrating Soviet Union defaulted on its foreign debt in 1991, are the last piece in the foreign debt puzzle which Russia was left to reconstruct after the collapse of the USSR.

Russia took a big step in restructuring its foreign debt this month, when it concluded a 25-year repayment deal covering $33bn worth of credits owed to the London Club of commercial banks. Russia had already restructured $40bn in former Soviet debts owed to foreign governments, grouped together in the Paris Club.

Mr Kostin warned that restructuring the suppliers' credits would be more complex than the London Club deal because Vnesheconombank has to reach individual agreements with hundreds of institutions.

As with the London Club debt, Mr Kostin said the suppliers' credits were likely to be restructured into Vnesheconombank bonds, regulated by English law.

As it completes its own debt restructuring, Russia is shifting its focus to pursuing its own debtors. This week will mark a milestone on that road when a Moscow delegation will attend a meeting of the Paris Club to deal with other debtor countries. For the first time, Russia will participate in the meeting as a creditor rather than a debtor nation.

Mr Kostin said he hoped to achieve significant progress in negotiations with the former Soviet Union's debtors over the next three months, with Vietnam and Algeria first in the queue.

Mr Kostin added that as Russia wrapped up its debt restructuring, his bank was beginning to look for business in other areas.

In particular, he said Vnesheconombank was pursuing the burgeoning market in debt issues by Russian regions, such as Sverdlovsk oblast, the heavy industrial heartland of the Urals, as well as Volgograd and Oryel. Mr Kostin said Vnesheconombank was in negotiations with German banks and hoped to win joint mandates to issue regional D-Mark eurobonds.

According to Mr Kostin, Vnesheconombank also intends to raise money through a foreign syndicated loan. With its government backing and long history, it hopes to secure more favourable terms than those offered to the country's young private banks.

UK plans EU consumer protection push

By Tim Burt in Stockholm

Britain plans to use its presidency of the European Union next year to impel the harmonisation of consumer protection legislation and product safety standards among all 15 member states.

Speaking at a conference on market surveillance in Stockholm, Nigel Griffiths, Britain's consumer affairs minister, said the UK was determined to strengthen the European Commission's efforts to clamp down on unfair and fraudulent trading practices.

"The Commission has not been doing enough to name and shame the countries which are not implementing directives to protect consumers," he said.

Among the initiatives proposed by the UK, which assumes the European presidency in January, are a common database of faulty or unsafe products and the extension of product guarantees across the EU.

At present, guarantees on products sold in one EU country are often not valid if the consumer exports them to another country.

Mr Griffiths said the UK would also seek to harmonise product recall systems across Europe and to develop a common hazard warning system, which manufacturers would be forced to apply to products wherever they were sold.

He has also sought assurances from countries which have not yet complied with fair trading directives that they would do so soon. Spain, for example, has offered to introduce fast-track legislation to ensure it adopts the timeshare directive, which would outlaw mis-selling of holiday timeshares.

Moves to improve consumer protection could be policed by a new EU body, which would replace Elhass – the European leisure and home accident surveillance system.

Mr Griffiths said the UK proposals had already won backing from consumer affairs authorities in a number of countries, and warned that failure to improve trading standards and consumer protection in the EU could cost "hundreds of millions of pounds".

Romania to open Securitate files

By Anatol Lieven

Revolutionaries rise: fighters in the 1989 uprising protest at moves to take their privileges AP

The Romanian government has decided to open the files of the Securitate, the dreaded former Communist secret police. Officials announced the decision early on Saturday after a cabinet meeting lasting two days.

The administration also made an even more difficult decision, to reduce the official privileges for the "revolutionaries" who took part in the overthrow of Romanian dictator Nicolae Ceauşescu in 1989.

The previous Romanian administration of President Ion Iliescu recognised more than 30,000 people as revolutionaries, granting them tax exemptions and free housing. According to the new government, in many cases the "revolutionary" status was simply a reward for supporting Mr Iliescu.

The government says that the records will be checked, and only those wounded or imprisoned in the uprising, and relatives of those killed, will receive tax exemptions. But there are fears that Mr Iliescu's party, the PDSR, may be able to use the issue to stir up protests against the government.

Several dozen disgruntled "revolutionaries" have been camping outside parliament.

Political damage from the opening of the Securitate files is likely to be more subtle. Under law passed by the last administration, the files are closed for 30 years. By contrast the new law would allow citizens immediate access to their own files and to those of public figures, from the president to local councillors.

Millions of Romanians are believed to have informed for the Securitate at some point, and many leading politicians have been accused by their enemies of having been agents or even officers.

The government has been deeply divided on the question, and until two weeks ago tried to suppress a private bill to open the files.

It is however questionable how many real files still exist. In 1991, several thousand partly burned Securitate documents were found in the Romanian mountains, and in 1993, the defence minister said tens of thousands of files were missing.

US to fete Orthodox patriarch

By John Barham in Ankara

His All Holiness, Bartholomew I, patriarch of the Greek Orthodox church, was due to arrive in Washington yesterday to be received with honours on his first official visit.

Regarded as the first among equals of the world's Orthodox national leaders, he will have a private meeting with President Bill Clinton, dinner with Madeleine Albright, secretary of state, and breakfast with Al Gore, the vice-president. He will receive the Congressional Gold Medal, the country's highest civilian decoration.

Like his 269 predecessors, Bartholomew is based in Istanbul, the city once known as Constantinople and once ruled by Greek-speaking Byzantines. However, he travels at an awkward time in relations between Turkey and Greece and the west.

Last week Turkish jets buzzed the aircraft carrying Greece's defence minister to Cyprus on his way to observe exercises that Ankara denounced as a provocation.

Turkish officialdom views the patriarchate with deep suspicion. But Bartholomew says: "We always wanted to be a bridge between two nations because we are an institution on Turkish soil but we are a Greek institution." He adds: "This is our country. Our roots are here. Our forefathers are buried here. We feel it is a duty to continue our Christian witness here."

Some members of Bartholomew's diminishing Turkish congregation complain they are treated as second-class citizens because of their religion, even though Turkey defines itself as a secular state. There were 200,000 Greek Orthodox in Istanbul – 20 per cent of the city's population – in 1920. War between Greece and Turkey and anti-Greek riots over the years caused emigration that has cut the size of the community to only 5,000.

Ankara still imposes tight controls on the Greek Orthodox schools and churches, provoking further emigration.

Election raises queries over Serbia's privatisation plans

Socialist setback means silver may stay within the family

Electoral setbacks for the ruling Socialists and confusion over a new privatisation law have thrown doubt on Serbia's plans to sell state-owned assets at what one bank has called "bargain basement prices".

The DM1.6bn ($900m) sale in June of 49 per cent of Serbia Telecom to Italy's Stet and OTE of Greece had raised expectations of further sell-offs by a cash-strapped government that needs to pay its workforce and meet bills for Russian gas and Chinese-supplied oil.

Slobodan Milosevic, the former Serbian president who became head of state of federal Yugoslavia in July, used most of the proceeds from Serbia Telecom to pay backlogs owed to workers and pensioners ahead of last month's elections for the Serbian parliament and presidency.

But the Socialists' attempt to woo a disaffected electorate failed. Mr Milosevic's ruling coalition lost its majority in parliament and his candidate for president was defeated by Vojislav Seselj, the ultra-nationalist leader of the Serbian Radical party.

Mr Seselj was only denied victory by a turnout that fell just short of the legally required 50 per cent. Fresh elections must be held but the law does not spell out when.

The prospects of a President Seselj or his party in a government coalition have scared off some foreign investors alarmed by his hostility to the west and his goal of expanding Yugoslavia's frontiers to create a "Greater Serbia".

"I can imagine that Mr Seselj would immediately stop the sell-off of the family silver," one diplomat commented. "You cannot imagine an extreme nationalist leader allowing the sale of strategic assets to foreigners."

Britain's construction materials group, RMC, is one of several foreign companies, including France's Lafarge and Titan of Greece, in talks to buy a stake in Serbia's biggest cement producer, Beocin.

"If a good opportunity arises we are quite likely to take the plunge," said Gary McGrath, an analyst for RMC, which has already bought a cement plant in Split, Croatia, and was beaten by Lafarge for a contract in Romania.

"The problem we are concerned about is the Radical party. There would certainly be no foreign investment in Serbia if Mr Seselj came to power... We are following contacts but not pushing. Ideally we would like to have this political situation cleared up," Mr McGrath added.

Lafarge, which already owns more than eight cement plants in eastern Europe, is taking the longer view however.

"Our interest continues. We believe in the long-term prospects of the Serbian market," said Bruce Slaton, Lafarge's business development manager for central Europe.

Shortly before last month's elections Banque Nationale de Paris compared Serbia to "a small, badly run conglomerate which should have gone out of business a decade ago".

But, it added, "We believe state assets will be sold at bargain basement prices. This offers investors some attractive exporting companies in what, post devaluation [of the dinar], will be amongst Europe's most competitively priced countries."

Belgrade economists confirmed that over the summer there had been a surge of interest by prospective buyers drawn by Yugoslavia's status as the last large but untapped emerging market in Europe.

Messer, a German industrial gases company, bought a majority stake in Serbia's Tehnogas last month for DM69m, while Belgium's Interbrew paid DM25m for the Niksic brewery in Montenegro, the tiny republic that makes up what is left of Yugoslavia with Serbia.

Much attention is focused on plans to break up and sell Serbia's electricity utility, EPS. Germany's RWE and British power companies are interested, although the restructuring of EPS, could take over a year.

US companies, encouraged by the State Department, are giving Yugoslavia a wide berth, however. The US-imposed "outer wall" of sanctions that bars Belgrade from IMF and World Bank membership has deterred many potential investors.

Diplomats say Mr Milosevic is caught in a dilemma. He needs cash to keep his government and moribund economy afloat but risks losing more votes to the resurgent Radicals, who have attacked his plans to sell assets on the cheap.

Adding to the confusion is a new privatisation law due to come into effect on November 1. The law allows workers, pensioners and farmers to buy up to 60 per cent of enterprises, making it difficult for foreign investors to take majority stakes. The regime will also make sure it maintains a firm grip on the privatisation process by issuing a list of "strategic" companies to be sold off on special terms.

Analysts said Lafarge and other companies might be trying to conclude deals before the new law came into effect.

Guy Dinmore

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NEWS DIGEST

Communists ease threat

Russia's Communist party has backed further away from its threats to force a vote of no-confidence in the government this week. Its retreat strengthens hopes that a fresh bout of confrontation between the government and parliament can be avoided, after tensions rose last week.

At a party plenum on Saturday, the Communists said they would wait for President Boris Yeltsin's response to their demands for a national two-year rent freeze and freer access to government-run media before pressing ahead with any moves to unseat the government.

Party leaders appear to be striving for a face-saving compromise to satisfy both party radicals, who are demanding outright opposition to the government in the run-up to the 80th anniversary of the Bolshevik revolution, and the moderates, who prefer constructive engagement with Mr Yeltsin.

But Alexander Shokhin, leader of the pro-government Our Home is Russia party, yesterday denounced the Communist party's attempts at "open blackmail" and said he would press the opposition to withdraw its no-confidence motion altogether. *John Thornhill, Moscow*

■ WTO MEETING

Financial services talks

The World Trade Organisation is to hold a high-level meeting of senior trade and finance officials on November 12 to launch the final phase of negotiations on liberalising trade in financial services. The talks are due to conclude a month later.

In a development described by trade diplomats as encouraging, 14 nations, including leading emerging economies in Asia and Latin America, said on Friday they hoped to make new or improved offers before the November meeting.

This is in addition to the 38 countries (including the 15 European Union member states) which have already presented proposals to open their banking, insurance and securities markets to foreign competition.

Washington has made better offers from the main emerging economies a condition of joining a multilateral deal in December. *Frances Williams, Geneva*

■ $3.8BN FUND

Seoul plan for bad loans

The South Korean government said yesterday that by late November it would establish a Won3,500bn ($3.83bn) fund aimed at saving ailing financial institutions by writing off bad loans.

The Ministry of Finance and Economy said the fund would buy up to Won4,500bn worth of bad loans this year. The loans would be bought at sharply discounted prices after the appraisal of collateral and other elements.

The ministry said Won18,000bn-20,000bn worth of bad loans, comprising 1,000 to 1,300 cases, would be written off in the next five years. The fund would preferably take collateral, which can easily be converted into cash, and promote the state-run Korea Land Development and other real estate dealers to become more active buyers.

But analysts said the government's scheme appeared to be too optimistic in view of the current depression in the real estate and bond markets. *Reuters, Seoul*

■ US-ISRAEL DISPUTE

Teenager can be extradited

A teenager who fled to Israel after allegedly committing murder in Maryland can be extradited to the US, Israel's attorney general said yesterday.

The decision is expected to pave the way for the extradition of Samuel Sheinbein and solve a dispute between Israel and the US.

Bob Livingstone, chairman of the US House appropriations committee, which gives Israel $3bn in aid each year, said last week his committee might halt the aid if Israel did not extradite the youth. However Israel said it had to clarify whether Mr Sheinbein's claim of Israeli citizenship was valid. Under Israeli law, Israeli citizens cannot be extradited for crimes committed abroad. The attorney general's office yesterday said Mr Sheinbein was not an Israeli citizen. *Avi Machlis, Jerusalem*

■ CEASEFIRE 'BROKEN'

Iraqi Kurds warn of clashes

An Iraqi Kurdish group yesterday accused a rival of breaking a brief ceasefire in northern Iraq, warning of further clashes in the region unless its opponents withdrew from captured territory.

A Kurdistan Democratic party (KDP) radio broadcast said forces of the rival Patriotic Union of Kurdistan (PUK) launched an artillery attack on KDP positions in the Balek area early on Saturday. In the ensuing clashes 10 PUK fighters were killed, the broadcast said. No details of KDP casualties were given.

A PUK spokesman denied the report and said the ceasefire was still holding. The PUK declared a unilateral ceasefire on Friday which the KDP joined a few hours later, ending a week of heavy clashes between the two groups. Northern Iraq has been controlled by the two rival groups since Iraq's defeat in the 1991 Gulf war sparked a Kurdish rebellion. *Reuters, Ankara*

■ FRENCH EMPLOYERS

Patronat needs 'hard man'

The outgoing head of France's main employers' organisation, the Patronat, said yesterday that his successor needed to be tough to fight the Socialist-led government's plans to introduce a 35-hour working week.

Speaking on state-run television, Jean Gandois said his replacement as France's "boss of bosses" had to take "a much harder attitude . . . I would say, [be] a harder man".

The prime minister, Lionel Jospin, announced his plans for a law introducing a 35-hour week by 2000 at the end of a one-day jobs summit with employers and unions on October 10.

Mr Gandois' successor is to be chosen on December 16. The front-runners are thought to be his deputies, Didier Pineau-Valencienne and Denis Kessler. *AFP, Paris*

■ PRESIDENTIAL RUN-OFF

Montenegro goes to polls

Montenegrins voted yesterday in a presidential run-off between the tiny republic's two main leaders. The poll has important consequences for the Yugoslav president, Slobodan Milosevic.

Casting his vote, the current president, Momir Bulatovic, accused his rival, Milo Djukanovic, prime minister, of rigging electoral lists after an inconclusive first round of voting two weeks earlier. Contrary to most expectations Mr Bulatovic, a close ally of Mr Milosevic, beat Mr Djukanovic by 2,500 votes then. But he fell short of the outright majority needed for victory.

Since then nearly 8,000 voters have been added to electoral lists. The Bulatovic camp also alleged that some 3,000 of their supporters had been struck off registers.

Victory for Mr Bulatovic is crucial to Mr Milosevic, whose ruling Socialists suffered serious setbacks in Serbia's recent parliamentary and presidential elections.

With Mr Bulatovic in office Mr Milosevic would have a smoother path towards boosting the largely figurehead powers he holds. *Guy Dinmore, Belgrade*

NEWS: WORLD TRADE

US set to lift ban on Japanese ships after port talks

By Mark Suzman in Washington and Michiyo Nakamoto in Tokyo

The US Federal Maritime Commission (FMC), the independent agency which has threatened to bar Japanese ships from US ports, is today expected formally to lift the ban following a tentative agreement over reforms to restrictive harbour practices in Japan.

The FMC had already agreed to postpone implementation of the embargo, due to take effect at midnight last Friday, after the two governments said they had reached a last-minute deal to improve conditions for foreign shipping companies at Japanese ports.

After emergency talks between senior US officials and Kunihiko Saito, the Japanese ambassador to Washington, the two countries announced a breakthrough, but warned that some technical issues still needed to be resolved. The agreement is expected to be submitted to the FMC today.

While the commission is likely to revoke the embargo threat, it remains unclear whether it still intends to demand that the three Japanese shipping companies that would hava been affected – Nippon Yusen, Mitsui OSK Lines and Kawasaki Kisen – pay outstanding fines of $4m.

Tha fines had been imposed as sanctions against Japan's failure to improve rigid labour practices which foreign companies say keep prices high at Japanese ports and make for inefficiencies in carrying out global operations.

After the Japanese missed a Wednesday deadline for payment, the FMC invoked little-used powers to take action against foreign vessels if their country is perceived to discriminate against US shippers. The four-member panel voted unanimously to ask the Coast Guard to turn away Japanese cargo ships, prompting fears of a full-blown trade war.

Howover, the new deal should allow the three shipping companies to coutinue with dellvery of products, particularly alectronics goods, destined for US retailers. The pre-Christmas delivery was of particular concern since Japanese shipping companies control 30 per cent of the Asia-US container market.

The agreement calls for the Japanese government to taka an active role in ensuring that labour practices are reformed to allow for greater efficiency and flexibility. Japan also agreed to adopt measures to simplify the prior consultation system which has been at the centre of the talks, and to simplifying licensing of stevedores.

The FMC is expected to keep open the possibility of renewing an embargo pending the final outcome of further negotiations among stevedore labour unions, shipowners and the Ministry of Transport.

Editorial comment, Page 17

New tastes for the world's tipplers

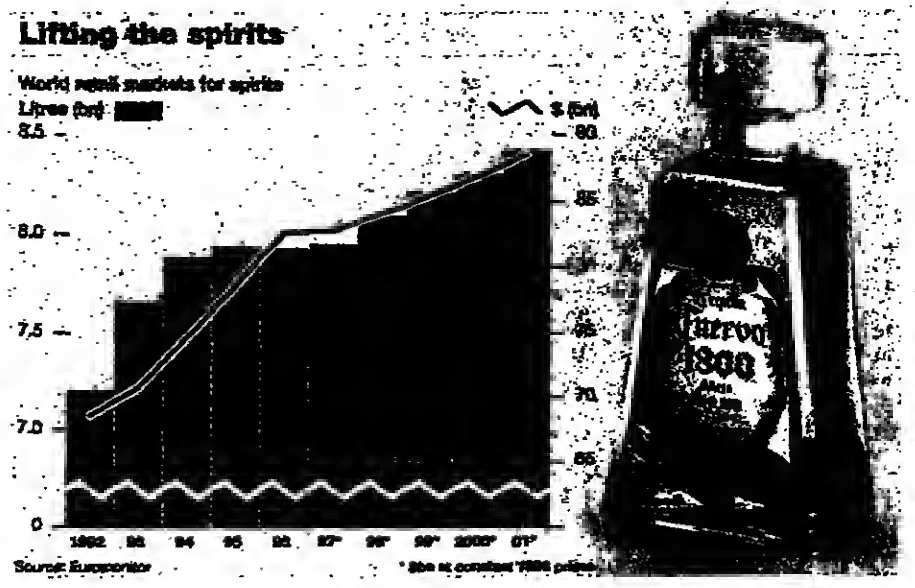
By John Willman, Consumer Industries Editor

New and exotic spirits are about to descend on the world's tipplers as global drioks groups fight to increase their share of an almost stagnant market, according to a report published today by Euromonitor.

The market research company predicts littla or no growth over the next five years in traditional spirits markets such as the US and continental Europe. Tbis will force tbe big drinks companies to find new products that can enliven the market and boost sales.

A ready source of such products will be the countries where demand will be more buoyant – particularly in the emerging economies. There, branded spirits will take a growing share of the market at the expense of local and unbranded products, the report says, forcing their producers to look overseas for sales.

The report forecasts retail sales of spirits will rise 5.9 per cent in volume between 1997 and 2001, and by 6.7 per cent in value. But sales in the US will fall 1.5 per cent over this period and rise just 3.5 per ceut in western Europe, it says.



This contrasts with a forecast growth of 19.8 per cent in Latin America, 24.4 per cent in south Asia, 25 per cent in south-east Asia and more than 150 per ceut in China. However, in many cases this will be from a low base: per capita spirits consumption is just 0.04 litres a year in China – barely a double.

The emerging markets are largely dominated by unofficial and local spirits such as *soju* in Korea and *cachaca* in Brazil. They thus offer the best prospects of growth for the world's big drinks companies, says Euromonitor, which will increasingly displace local drinks with branded products.

The need to grow in emerging economies will lead to further consolidation in an industry where the leading 20 manufacturers hold less than 60 per cent of the market for branded drinks. The merger of Guinness and Grand Metropolitan will encourage the formation of other big global groups, says Euromonitor, with Allied Domecq of the UK the focus of one and Bacardi-Martini of the US another.

Offering a full range of drinks will give such groups a competitive edge in tying up distribntion through wholesalers and retailers. Winning over drinkers will require marketing strategies that differentiate brands and attract younger drinkers.

Such thinking lies behind attempts to reinvent brands for drinkers in the 18-35 years age group, like Allied Domecq's Urban High promotiou, taking snowboarding and rock musicians to European cities. Other companies are launcbing premixes of spirits and soft drinks – including Guinness's frozen margaritas.

But the report predicts rum sales will grow fastest in the next five years, with sales of vodka slowing after several years of rapld growth. This is because the dark spirits are more appealing to drinkers in emerging economies.

Whisky is the most popular branded spirit in volume terms, witb almost 30 per cent of the market. But in retail sales, vodka has over 50 per cent due to its importance in the Russian market.

Russlans remain the world's largest drinkers, knocking back 13.5 litres each in 1996 – well ahead of the Poles, who downed 8.7 litres. But while eastern Europe is the world's biggest market in volume terms, much of what is drunk is counterfeit or illegally distilled.

The World Market for Spirits is available from Euromonitor, 60 Britton Street, London EC1M 5NA, $7,900.

Bananas: 'EU must comply'

By Neil Buckley in Brussels

Ecuador, the world's biggest banana exporter, will accept nothing less than full compliance by the European Union with a World Trade Organisation ruling ordering it to dismantle part of its banana import regime, says the country's president.

Fabián Alarcón, in Brussels for talks in his capacity as president of the five-nation Andean Pact, told the Financial Times he was not prepared to accept compensation instead of changes in the regime, which the WTO said unfairly discriminated against Latin American producers.

He added that prospects were good for a free-trade agreement between the Andean Pact, which also includes Bolivia, Colombia, Venezuela and Peru, and the Brazilian-led Mercosur trade grouping "within the next few months".

Mr Alarcón's comments on the banana case echo those already made by the US, which led the complaint over EU import rules. Ecuador produces 30 per cent of the world's bananas, which account for about one-third of its total exports.

It is pushing for a central role in negotiating changes in the banana regime with Brussels, and says the talks should not be dominated by the US, which is not a banana exporter but controls much of the trade through US-owned multinational groups such as Chiquita.

"The EU has to implement the WTO decision," Mr Alarcón said. "We would not accept any kind of compensation. Bananas are our life."

The EU last week told the WTO it would change the import regime in line with its "international obligations", but also had to respect its obligations under the Lomé Convention to African, Caribbean and Pacific countries.

Caribbean countries, whose banana exports to the EU are protected by the EU's import-licensing system, say they face ruin if the system is changed.

Mr Alarcón insisted the 28-year-old Andean Pact, recently renamed the Andean Community, had a viable future and remained "very solid". The temporary withdrawal of Peru earlier this year, after disagreements over the pace of tariff reductions, led some international observers to forecast the pact's demise.

But he said institutional change, including a directly elected Andean parliament and appointment of a permanent secretary-general, had strengthened the pact. He said all pact members were committed to reducing tariffs to zero by 2005.

He rejected fears that some members might shift allegiance to Mercosur, the bigger trade grouping of Brazil, Argentina, Uruguay, and Paraguay.

US pressed on Helms-Burton

By Scott Morrison in Vancouver

Canada and the European Union are pressing the US to accept strict limits on extra-territorial measures which affect investments by non-US companies in third countries.

Differences over extra-territorial measures remain one of the key areas of disagreement among negotiators at the Multilateral Agreement on Investment (MAI) talks, being held in Paris under the auspices of the Organisation for Economic Co-operation and Development (OECD).

Canada and the EU are concerned that the US Helms-Burton anti-Cuba law and the Iran-Libya Sanctions Act run counter to the principles of the MAI, a senior Canadian official said.

Canada's proposal for strict limits on secondary boycotts has been backed by the EU, but has encountered stiff opposition from US negotiators, the official said. Canadian negotiators are also lobbying for a "conflicting requirements" agreement, under which host country legislation would take precedence over an investor's home country's law when the two conflict.

The MAI under negotiation in Paris aims to secure national treatment for foreign investors in signatory countries as well as to grant foreign investors assurances that their interests will be protected within a clear set of rules. Negotiators, however, are at odds over a number of proposed exceptions to the broad agreement.

Some 80 per cent of the exceptions tabled focus on the transport, financial services and telecommunications sectors, the official said. The wide agreement to limit foreign investment in these industries may result in the three sectors being excluded from a final accord. Negotiators are also trying to determine how to treat environmental and labour issues within the context of the MAI.

Canada, France, Spain, Australia and Belgium are strongly in favour of retaining legislation that limits foreign investment in cultural industries. While the principle of cultural exceptions has been accepted, the Canadian official said the participants were debating the extent to which countries would be able to protect industries such as book publishing and broadcasting from being overwhelmed by foreign investment.

The US has historically opposed sweeping measures to safeguard cultural industries, although Canada managed to resist US pressure during negotiations for their 1989 bilateral free trade accord and the 1994 North American Free Trade Agreement.

NEWS: ASIA-PACIFIC

'Red chips' executives seek assets boost

By John Ridding
in Hong Kong

Senior executives from some of China's biggest Hong Kong-listed companies will today hold talks with mainland leaders and market regulators in Beijing in an attempt to secure support for asset injections and acquisitions.

After rapid rises earlier this year, shares in "red chips" have fallen sharply over recent weeks amid a slowdown in asset injections from mainland parent companies and a broader decline in the Hong Kong stock market. The hiatus has prompted speculation that Beijing is seeking to slow the pace and scale of asset sales because of political sensitivities.

"We had anticipated an increase in restructuring and asset transfers after Jiang Zemin's address to the 15th party congress," said one Hong Kong investment banker, referring to the Chinese president's call last month for industrial reform and his signal that state assets would be sold. "But the lack of movement has raised uncertainty about their strategy."

A cooling in enthusiasm for China-backed shares has prompted a fall of over 30 per cent in the red chip index over the past month. The decline contributed to a muted response last week to China Telecom's $4bn flotation, the territory's largest initial public offering.

The delegation to Beijing is expected to include senior officials from China Travel, Cosco Pacific, China Resources and Shanghai Industrial. They are to meet Zhu Rongji, China's top economics official, and Zhou Zenqing, chairman of the China Securities Regulatory Commission (CSRC), the mainland market regulator.

Following a surge in speculative trading in red chips, and a spate of asset injections, the CSRC announced in June guidelines and regulations to control asset injections into Hong Kong subsidiaries. Industry analysts in Hong Kong believe that these regulations are partly to blame for the slowdown in asset transfers and that priority may be shifting to H-share companies, state-owned enterprises which are listed in Hong Kong.

"Beijing has greater control over H-shares as regulations cover both the H-shares themselves and their parent companies," says Wilson Yung, China analyst at Nikko Securities. "The red chip guidelines apply only to red chips' parents."

Red chips, freqnently Hong Kong-based conglomerates, generally have greater independence in strategy than H-shares, typically single industry companies.

Red chip executives have expressed optimism that asset injections will be resumed. Zhu Xiaohua, chairman of China Everbright, said last week many red chips were in negotiations to acquire assets from mainland companies.

Hong Kong investment analysts believe today's meeting with mainland officials is likely to boost sentiment in the sector, following a rally on Friday.

Chinese trade mission to ease US fears

By James Harding
in Shanghai

China yesterday despatched its largest purchasing mission to the US, a move to ease American concerns over the widening bilateral trade deficit before President Jiang Zemin's state visit to Washington next week.

The delegation is expected to negotiate contracts worth more than $4hn, from a multi-hillion dollar Boeing aircraft deal to agreements to buy car parts, power equipment and fertilisers.

Sun Zhenyu, vice trade minister and one of the two ministers joining the delegation, said: "The sending of purchasing missions reflects China's readiness to import more from the US. The purchasing trip should not be interpreted simply as a public relations exercise.".

US officials calculate that China's trade surplus with the US will reach $44bn this year, a level which William Daley, commerce secretary, described as "unacceptable" during a visit to Beijing earlier this month.

Congress has been a voluble critic of what it sees as China's inadequate efforts to increase imports of US-made goods and the growing deficit has stiffened opposition on Capitol Hill to granting China permanent Most Favoured Nation trading status.

In an article yesterday in the Business Weekly, Mr Sun said the buying mission aimed to improve awareness in the US of the "positive bilateral trade relationship". "China has been a big buyer of US products, but few Americans are aware of this," he said.

Mr Jiang's visit, the first by a top Chinese leader in 12 years, will run from October 26 to November 2 and include a summit with President Clintoo in Washington, where trade is likely to be high on the agenda.

The delegation aims to dispel the US public perception of China as a bulk manufacturer of cheap goods and propagate China's image as a buyer of US high-technology products, providing jobs for thousands of US workers.

The biggest deal generated by the delegation is likely to be the long-awaited contract for Boeing aircraft, which Mr Sun said he expected to be signed during Mr Jiang'a visit. "The two sides were close to an agreement," Mr Sun said. The Boeing contract is rumoured to be for up to 30 aircraft and worth around $2hn.

The Chinese team, which includes Zeng Peiyan, vice minister of the State Planning Commission as well as officials from aviation, power, oil and machine building sectors, left yesterday on a United Airlines flight, pointedly choosing the US airline over China's national carrier. It is China's sixth purchasing delegation to the US since 1990 and will stop in Los Angeles, New York and Washington to hold seminars promoting trade.

Chinese officials calculate that the US deficit with China is likely to grow again this year, particularly as grain imports are expected to fall after a successful Chinese harvest.

Beijing hopes that the recent cut in China's average tariff level to 17 per cent will increase imports and has promised to reduce tariff levels further hy 2000.

● China is expected to stop all sales of anti-ship cruise missiles to Iran under US-Chinese agreements to be signed during Mr Jiang's visit, Mark Suzman reports from Washington.

The US has long criticised the missile sales as a potential source of regional instability. An agreement would mark a victory for Madeleine Albright, the secretary of state, who has pushed the Chinese government on the issue for months.

Uttar Pradesh alliance in doubt

By Mark Nicholson
in New Delhi

The government of Uttar Pradesh, India's most populous state and one of its most politically turbulent, appeared to have collapsed yesterday after the low-caste Bahujan Samaj party (BSP) withdrew from an alliance with the Hindu nationalist Bharatiya Janata party (BJP), witb wbicb it bad forged a governing coalition just seven months ago.

The BSP withdrew support alleging BJP "mistreatment" of Dalits – low-caste Hindus once known as "untouchahles", whom the BSP chiefly represents. The move directly threatens the government of Kalyan Singh, wbo took over as BJP chief minister only 28 days ago under the initial coalition agreement to rotate the chief ministersbip between the two parties every six months.

The state's governor said last night be was reviewing the constitutional position of the government, which without BSP support has no majority, raising the prospect that the United Front government may have once again to impose "president's rule" – direct rule from Delhi.

New moves to spur Indian growth

Elephantine economy needs a boost, writes Mark Nicholson

India's United Front government has for almost a year been trying to slap and coax some vigour into the lumbering economy, much as a frustrated *mahout* might a recalcitrant elephant.

First came the aggressive tax-cutting budget of P. Chidambaram, finance minister, in February; then in April a series of interest rate-cutting, credit-easing measures from the Reserve Bank of India (RBI), the central bank; next, a series of commerce ministry incentives for exporters.

Last week, I.K. Gujral, prime minister, Mr Chidambaram and other senior officials tried again, meeting industrialists to discuss how to spur an economy apparently set for growth of around 5.5 per cent in gross domestic product this year. This compares with the 7 per cent which the government had hoped for and which has been India's average for the past three years.

Tomorrow C. Rangarajan, RBI governor, is expected to make another effort to boost investment and output. He is likely to use the central bank's biannual review of credit policy to signal a further cut in interest rates.

He hopes both to reduce prime bank lending rates, currently at 13.5 per cent, and to excite a rise in bank lending to industry, which is down 16 per cent on a year ago for state-run finance institutions and for commercial banks is half the levels of 1996-97.

But whether Mr Rangarajan can nudge the elephantine economy into a canter is an open question. "It'll have a psychological effect," says Arjuna Mahendran, regional economist for Socgen-Crosby, the securities house. "But the issue is not so much the price of credit, it's the quantity. Investment is down partly because demand is lower – aggregate demand is as low as it has been."

Economists and government officials agree tbat interest rates must fall further. Given a current inflation rate below 4 per cent, real interest rates remain high, despite the RBI's success in pulling prime rates down from above 16 per cent a year ago.

Real interest rates should narrow anyway, given that industry is expected to pass on recent government increases in administered fuel and freight costs, raising the inflation rate. The question is whether investment decisions are so interest rate-sensitive in India, or whether there are more influential factors curbing investment.

Most economists believe there are, and that they are both cyclical and structural in nature. Moreover, there is a growing feeling that structural factors are ultimately more decisive, and that until these are properly addressed, India cannot aspire immediately to growth rates anywhere near 7 per cent.

Chief among cyclical factors is a slackening in demand felt for more than a year. In part, this is seen as the result of unexpectedly low agricultural growth in 1995-96, which damped rural consumer demand last year.

Chidambaram (left) and premier Gujral — Reuters

The knock-on effect has seen industrial output fall from growth rates of 12 per cent two years ago to nearer 6.5 per cent. The fall in demand came just as Indian industry – and foreign investors – bad invested heavily in new capacity.

Gross demand, and hence investment, has been hurt too by the fall in government capital spending since reforms began in 1991, curtailed by successive governments' attempts to rein in the fiscal deficit. Gross capital formation hy the central government has fallen from 6.5 per cent of GDP in 1991, when reforms began, to an estimated 4.9 per cent this year. This has led many economists to urge a burst of "pump-priming" investment in capital projects to "crowd in" private investment.

The government nodded in this direction at last week's summit, promising to review and perhaps accelerate existing state investment projects. However, reversing the decline in public investment – particularly critical in addressing the country's infrastructural deficiencies – would require restructuring of government expenditure. And for this, there is neitber much economic room, nor political will.

Most of the bolder moves available either to increase government revenues substantially, such as a more aggressive campaign of state divestments, or to cut expenditure by attacking India's panoply of subsidies, are political non-starters. Mr Chidambaram last month admitted there was no political consensus on either of these moves within the UF.

Thus, hopes for big rises in infrastructural investment will binge on the long, complex and often politically contentious moves to clarify the regulatory environment for power, ports and urban infrastructure.

Such progress is expected to be incremental. And while there are some hopes that India's demand and investment cycle may revive early next year, there are also fears that any "psychological" fillip tomorrow may prove hostage to growing political uncertainties.

The Congress party, under Sitaram Kesri, its president, who brought down the previous UF coalition in April for a tronbled three weeks, is showing signs of restiveness and a possible desire to force elections again. Some regional parties on whicb the UF depends, notably the Communist party (Marxist), are also promising to give Mr Chidambaram a rough ride when parliament opens. None of this will inspire much business confidence.

Telecoms group in venture to offer Mexican phone services

WorldTel agrees first big project

By Alan Cane

WorldTel, a Londnn-based organisatioo established two years ago to boost telecommunications in developing countries, has finalised its first big project.

It has formed a partnership with Telefonia Inalambrica del Norte (Telinor) and Bell Canada International (BCI) to offer local telephone services in Mexico.

WorldTel and BCI plan to invest $250m in Telinor, taking respectively 22 per cent and 27 per cent of the company.

Mr Tomas Santos, Telinor chief executive, said the objective was to serve as a catalyst for economic development in Mexico: "We intend to deploy advanced telecoms infrastructure, provide a world-class service and create several thousand jobs."

Telinor was formed in 1994 by a group of Monterrey businessmen including Lorenzo Zambrano, chief executive of Cemex, the world's second largest cement producer. Its financial adviser is the Blackstone Group of New York.

It is the first company allowed to compete in both local and long-distance services with Telefonos de Mexico (Telmex), Mexico's former telecoms mooopoly.

Telinor intends to take part in radio spectrum auctions set for next mooth and to acquire nationwide coverage. The group plans to use fixed wireless technology to provide economical local access.

Wireless "local loop" – the final connection betweeo the exchange and home or business – is recognised as one of the most economically effective ways of deploying basic local telephone networks in developing countries where there are few telephone lines. The use of wireless equipment also avnids the labour-intensive laying of underground cahles.

WorldTel was established two years ago by the International Telecommunication Union (ITU), the United Nations ageocy which oversees the global telecoms industry.

The company was created as part of UN plans to lay up to 50m telephone lines in developing countries over the next decade, and competes directly with private telecoms groups.

WorldTel is independent of the ITU, the UN's oldest agency, hut has its full support. It has been seeking big projects to finance in Asia, Latin America and Africa.

It aims to provide a conduit between the developed and develnping countries, providing funding, technology and management.

All its projects must be capable of providing a 20-25 per cent return on equity. Telecoms manufacturers are not allowed to become investors in WorldTel to avoid self-promotion.

Investors in the Telinor transactinn inclnde the AIG-GE Capital Latin American Infrastructure Fund, the Chatterjee Group and the Metropolitan Life Insurance Company.

Sam Pitroda, WorldTel chairman, said establishment of the first project was an important step forward. Four more projects were in the pipeline including two in Africa.

He was keen to establish an African fund and an Islamic fund, each worth $500m, to fund the oext round of projects.

Michigan hotels worried by suicide cases

By Nikki Tait in Chicago

Motel owners and managers in Michigan will meet this week to discuss the use of their rooms by suicide victims who appear to have links to Jack Kevorkian, the avowed euthanasia activist.

At least three people have died in well known hotel/motel chains – including Quality Inns and one Holiday Inn – around the Detroit area over the past couple of months.

Links to the Michigan doctor have usually been inferred from notes instructing hotel employees to contact Geoffrey Fieger, Dr Kevorkian's lawyer.

Dr Kevorkian, a retired pathologist, came to national attention in 1990 when he assisted in the death of a woman diagnosed with Alzheimer's disease. He has since ackoowledged helping dozens of seriously ill people to end their lives.

The Hotel Association of Greater Detroit was apparently anxious to play down the issue, sayiog the meeting would be a private discussion and association officials wonld make no public comment.

It added that the association had taken no official position oo the merits of Dr Kevorkian's activities. Its president has previously been quoted as saying that if Kevorkian "wants to do that kind of stuff, he should be doing it in his van or in his own garage".

There has beeo growing local publicity about the emotional stress which suicide incidents can cause hotel staff, who have to cope with anything from the discovery of bodies to a flurry of media calls. One hotel manager, asking not to be identified, said the incidents had become a serious cause for concern among his staff.

The disquiet coincides with a growing belief that law enforcement authorities are wary of trying to prosecute Dr Kevorkian, who has been linked to over 60 deaths in the past seven years.

In August, prosecutors in Ionia County acknowledged that they would not pursue the case of a woman who died in 1996, after the legal proceedings ended in a mistrial. In three previous attempted prosecutions over the past seven years, Dr Kevorkian has been acquitted.

In Michigan, there is no explicit ban on assisted suicide, although a state Supreme Court ruling three years ago determined that it was illegal and punishable by a five-year prison sentence.

Earlier this month, there was even some discussion between local enforcement officers and Dr Kevorkian to see whether relatives might be permitted to leave bodies of assisted suicide cases at medical examiners' offices.

Bnt under state law, only the medical examiner has the authority to move bodies, and the notion of giviog relatives blanket immunity was ruled out.

Controversy continues to surround the euthanasia issue in the US. Last week, Oregon moved closer to becoming the first state to legalise medically assisted suicide for terminally ill patients, when the US Supreme Cnurt refused to block its ground-breaking Death With Dignity Act.

Voters adopted the Oregon law in a referendum three years ago, hnt it has heen in abeyance because of legal challenges. Voters will have annther chance to address the issue in a mail-in ballot earty next month.

Latin American trip reinforces president's determination to pursue issue in Congress

Clinton set on fast-track for trade deals

By Mark Suzman in Washington

President Bill Clinton returned home yesterday after his inaugural trip to Latin America, declaring the visit a success and stressing his determination to persuade Cnngress to support his attempts to strike new trade deals with the region.

Mike McCurry, White House spokesman, said that the seven-day tour to Venezuela, Brazil and Argentina had reinforced Mr Clinton's commitment to get "fast-track" authority from Congress to negotiate trade agreements. He said Mr Clinton had phoned several member of Congress during the flight home to discuss the matter and would cootinue the effort in Washingtoo this week.

Sentiment in the US has turned agaiost oew free trade deals with Latin America because of cootinuing ambivalence over whether the 1993 North American Free Trade Agreemeot (Nafta) with Mexico and Canada has been a success.

Labour unions are irrevocably opposed to new fast-track authority, and many Democrats say they will only support the measure if it has tnugh environmental and labour conditions attached, a move opposed by the White House and most Republicans.

Mr Clinton had previously delayed his first visit to Latin America, hoping the issue of fast-track authority might first he resolved. When that proved impossible, the administration made sure the trip included a strong emphasis on non-trade issues, culminating at the weekend in an agreement with Argentina over global warming.

Speaking at a resort in the Andes mountains, Mr Clinton emphasised that developing countries oeeded to contribute to efforts to reduce global warming ahead of an international conference in Japan oo the issue later this year.

Carlos Menem, Argentina's president, then agreed in principle to binding limits oo greenhouse gases and other emissions, although the terms are expected to be looser than those for developed countries. "We agree with the US when you say that a global problem such as climate change requires a global answer from all countries," he said.

Mr Clinton had earlier formally announced plans to make Argentina a "major non-Nato ally" – a move that Chile and other countries fear could upset the balance of power to the region. More controversially, he also warned Mr Menem against abusing freedom of the press, while Hillary Clinton, the first lady, called for greater access to baby clinics for women in the country.

Throughout the trip, the president sought to distract atteotion from the lack of progress on fast-track in Washingtoo by praising the region's progress in spreading democracy, and emphasisiog new business and trade opportuoities that could be pursued before new trade agreements were reached.

He also reassured Argentina and Brazil that the US was not hostile to the expansion of Mercosur, which groups Argentina, Brazil, Uruguay aod Paraguay. Chile, which has heeo waiting to enter Nafta, has signed a free trade pact with Mercosur and other countries are rushing to join the group.

Meanwhile, Mercosur and the European Uoion are working oo a free trade deal.

Bill Clinton (right) and Carlos Menem embrace in front of Argentina's Nahnel Huapi national park after announcing their environmental commitment over the weekend Reuters

Power row hits Intel's plant plan

Costa Rica's Supreme Court has ordered a state-owned utility to suspend work on power lioes that would bring electricity to a computer chip factory heing built by Intel nf the US, Renters reports from San José.

"Upon receiving the appeal, the work is suspended automatically, to accordance with Costa Rican legislation," a court spokesman said. The court order was issued after a complaint against the work was lodged by residents of a community close to the proposed factory, near the capital city of San José.

The residents allege that the work on the power lines violated local environmeotal regulations, and that the government's electric utility had not taken into account studies showing that high-tension power lines may pose health risks.

Intel, the world's largest chip maker, had planned to spend over $300m on the 400,000 sq ft plant, its biggest investment in the country.

The state-owned Costa Rica Electricity lostitute (ICE) said in a statement that the oew transmission lines posed oo health hazards.

Import prices from the EU might be overestimated and import volumes underestimated

Bank fears hidden inflation pressures

By Richard Adams, Economics Staff

The Bank of England, the UK central bank, is worried that cheaper imports from the European Union could mask strong domestic price pressures in the UK.

The Bank is concerned that it may have to raise interest rates to cool the UK economy if import prices are lower than reflected in official trade data. If import prices are lower than thought then a greater proportion of inflation stems from rising prices for goods and services made in the UK, rather than from imports.

The Bank's concerns come when there are already worries that the UK economy is growing much faster than its long-term trend. On Friday, the latest GDP figures for the last quarter are published and are expected to show an annual rate of growth of around 4 per cent. The UK's trend growth rate is estimated to be 2.5 per cent.

Bank officials have met with the Office for National Statistics (ONS), responsible for publishing government economic figures, to try to improve the data for measuring imports.

The issue has already been raised at recent meetings of the Bank's monetary policy committee, which is responsible for setting interest rates.

The minutes of the committee's September meeting noted suggestions by Bank staff that import prices from the EU might be overestimated and import volumes underestimated. "If this proved true, it would imply that the domestic value-added component of UK inflation would have been correspondingly higher, since there is no evidence of distortions to the Retail Price Index, and a higher level of domestically generated inflation would be a cause for concern," the committee said.

The problem arises because Customs and Excise only provides the ONS with the total figure for imports of goods into the UK. The ONS then works out the volume of imported finished goods by using UK market prices.

If imported goods are cheaper than the UK market price for some reason – such as a time-lag in adjusting prices – then more goods could have been imported than is estimated.

Import prices have fallen rapidly in the last year, because of the steep appreciation of sterling. The rise in the pound has been most pronounced against EU currencies.

Bank staff have pointed out that the ONS does not collect separate prices for EU and non-EU imported goods.

The Bank says the fall in import prices has been slow to feed through to the economy. It is also "puzzled" by the large gap between strong domestic retail sales and much weaker output of manufactured goods.

The ONS says it is aware of the problem, which mainly applies to manufactured goods. It would "ideally" like to survey distinct EU and non-EU import prices, but is concerned by the burden on industry and the extra resources required.

Turning the tables on crime

Britain may be able to learn a lesson from the US success in combating violent offences

The widespread perception of the US as the most crime-ridden country on earth is no longer accurate following a tidal wave of recent statistics suggesting US crime is being beaten. The evidence certainly offers Jack Straw, the home secretary, food for thought as he battles against British crime.

Although the 1996-97 recorded crime figures, out this week, reveal a fall in property crime in England and Wales for the fourth consecutive year, the drop is far greater in the US, where there has also been a decline in violent crime. Some sources claim London now has a 57 per cent higher burglary rate than New York.

The recent International Crime Victimisation Survey, which compares people's experiences of crime in 11 industrialised nations, paints a picture of stabilising or falling overall crime rates in the first half of the 1990s in nearly all the countries surveyed. The decline was fastest in the US, while in England and Wales the rate of increase merely slowed.

The ICVS shows the English and Welsh to be most frightened of crimes. More than 9 per cent think they are "very likely" to be burgled within the next 12 months, compared with 4.4 per cent in the US and 5.9 per cent in France.

In a further measure, England and Wales now top the international league for home security devices. More than three-quarters of homes have an alarm, special locks or grilles on windows or doors.

The latest research justifies this fear, which Mr Straw says he is determined to tackle. Work at the University of California claims that in the US burglaries fell by 44 per cent between 1980 and 1995. By comparison, Home Office figures show that in England and Wales burglaries continued to rise until 1993 before falling 9 per cent by 1995.

The evidence on violent crimes, including robberies, personal attacks and sexual offences, is even more remarkable. Between 1990 and 1995, in England and Wales, total violent crime rose by 22 per cent. In the US, violent crime actually fell over the same period – although at a much slower rate than property crime.

The most striking improvement is in New York, which is no longer in the list of the country's top 200 most violent cities.

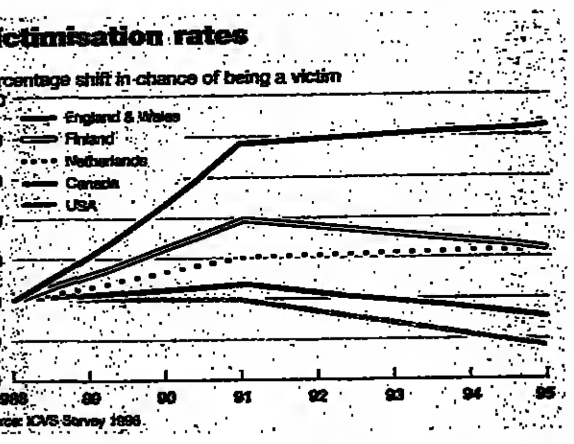
In the first six months of this year there was a 30 per cent drop in murders in the city. If that trend continues there will be fewer than 700 killings there this year, the first time the number has fallen so far since the 1950s.

San Francisco, Dallas, Chicago and Boston have all cut overall crime by 25 per cent on last year.

It is true methods of calculating crime rates vary from country to country, making exact comparisons awkward, and there is particular controversy in the UK about the accuracy of the official figures. However, repeated surveys portray a consistent picture: crime rates are slowly falling in the industrialised world, although nowhere faster than in the US.

It is difficult enough to identify an international crime rate trend. But to learn the lessons – if there are any – Jack Straw must be sure he knows why crime is falling so fast in the US. As the ICVS study concludes: "What explains this interesting picture of recent crime trends is hard to say."

Simon Buckby



German bearings group to expand Welsh plant

By Peter Marsh

One of the world's biggest makers of industrial rolling bearings and releted car parts is planning a large expansion at its UK plant in Llanelli, south Wales.

German-owned INA, a private company with worldwide annual sales of some DM3.5bo ($2bn), is planning to increase the plant's production by 30 per cent by the end of the ceotury.

It is hiring 100 people at the factory, taking employment to 600. Investment linked to the expansion is put et about £17m over a five-year period ending in 2000.

INA is among the world's seven biggest makers of bearings, which are used in virtually every machine with rotating parts, from cars to washing machines. Competitors include SKF of Sweden, Japan's NSK, FAG Kugelfischer of Germany and the US'e Timken.

Lorenz Raith, INA's chief executive, said the Llanelli expansion was part of INA'e plan to look for growth opportunities through selective investments.

The factory – the company's only UK plant among 30 worldwide – specialises in mechanical tappets and hydraulic engine components for cars that use some elements of rolling bearing technology.

Output from the UK plant is not disclosed but is estimated at some £40m a year. Customers include Ford, General Motors and BMW, and some Japanese carmakers with European plants.

Mr Raith said one of the aims of the expansion was to increase the proportion of the factory's production that was exported, presently between 30 and 50 per cent.

He said productivity at the plant was below German levels but had "good potential" to rise because the factory was in "good shape".

Wage costs were lower than in Germany but this was not a significant factor behind the decision to invest in the UK, because the high level of automation made wages only a relatively small part of total production costs.

INA, one of Germany's biggest privately owned manufacturers with 20,000 staff worldwide, has plants in Germany, France, Switzerland, Spain, Slovakia, the US, Brazil and Korea.

UK NEWS DIGEST

Accountants 'warned clients'

Price Waterhouse, the accountants, said yesterday that it warned clients about the tax avoidance schemes at the centre of a tax fraud investigation launched by the Inland Revenue last week. The probe involves clients of two of the other Big Six accountancy firms, Ernst & Young and Coopers & Lybrand.

The schemes that are being investigated are internationally operated and involve tax liabilities being moved offshore. Price Waterhouse said it had sufficient doubts about the schemes to advise clients to steer clear of them. The timing of the raids is particularly embarrassing for Ernst & Young, which will today announce details of a proposed merger with KPMG, creating the world's largest accountancy firm. "We are giving all proper assistance to this enquiry," Ernst & Young said. Coopers & Lybrand said: "The firm is co-operating with the Inland Revenue as fully as possible." *Jean Eaglesham*

■ TELECOMMUNICATIONS

Study hits at 'ill-equipped' groups

Ten years of telecommunications liberalisation in the UK has created a generation of traditional utilities ill-equipped to help their customers move into advanced electronic services, according to a study. The report – sponsored by organisations including the UK trade department, AT&T, British Telecommunications and Cable and Wireless Communications – warns that information technology groups such as Andersen Consulting, International Business Machines and Cap Gemini are set to skim the cream from new business opportunities, leaving the telecoms operators to provide only commodity transmission services. The study is critical of government policy which has encouraged new entrants to compete by building new networks. It is equally critical of the operators for failing to develop value added services. *Alan Cane*

■ SHARE DEALING SYSTEM

Private investors may lose out

Private investors who hold share certificates could lose out with the introduction of the London Stock Exchange's radical new trading system this morning as they are likely to face higher dealing charges than other investors. City firms which will control the dealing charges for most private investors are warning that a two-tier system of charging could be imposed in months. This new system will displace marketmakers, the exchange's traditional middlemen, for deals in the UK's 100 biggest quoted companies, by automatically matching buyers and sellers who submit bids to a central order book. But deals that are too small – the vast majority of deals using share certificates – will still use marketmakers, renamed retail service providers. *Jean Eaglesham*

■ FOOD STANDARDS

Remit of agency to be extended

The government plans to extend the powers of the proposed Food Standards Agency to include ruling on the nutritional qualities of diet, in spite of opposition from the industry. Producers have urged ministers to focus the new agency on raising public confidence in the safety of food on sale in the UK after a series of health scares over BSE – or "mad cow disease" – and e.coli. *John Willman*

The ins and outs of Emu

Robert Peston looks at Britain's attitude to the single currency

Nothing has changed and everything has changed. The government's official approach to European economic and monetary union – that sterling's membership at the launch in 1999 is unlikely but that all other options are open – is technically intact.

However, background briefings from Treasury and government officials are now making it clear that a decision to join Emu is very unlikely to be made until after the general election, which is expected around 2001 but could be as late as mid 2002.

This carries weighty implications. It means there is still a theoretical possibility that sterling will be a member by the important 2002 deadline, when the notes and coins of Emu members are scheduled to be converted into the common currency of Euros.

But Tony Blair, the prime minister, and Gordon Brown, the chancellor of the exchequer, have in effect set np a eignificant barrier to membership on that timescale, because British husinesses, especially retailers, will have lost much of their incentive to prepare for it. Mr Brown's hopes of launching a national debate on the pros and cons of membership may also fizzle out.

So what has happened since September 26, when the FT reported that the government was on the point of adopting e more positive approach to Emu and was likely to issue a statement of intent to join et an early opportunity after 1999 but without making a commitment to a firm timetable?

According to close colleagues of the prime minister, the story and reaction to it were powerful factors in determining the new position. The article was based on interviews with senior ministers and officials in the Treasury and Foreign Office and others close to Mr Blair. It was not – as has been alleged – a cynical attempt by Mr Brown and the Treasury to bounce the prime minister into a commitment to join the single currency.

To close observers of Westminster, its thrust was uncontentious. Even ministers sceptical ahout monetary union had begun to appreciate the damage to the UK's political and economic influence in Europe caused hy an equivocal attitude to Emu.

However, this shift had seemingly escaped the notice of the City, still focused on Labour's sceptical rhetoric in the run-up to the general election. On the morning the article was published, share prices and gilts surged and the pound dropped sharply, as investors factored in the increased probability of joining Emu hy 2002.

This in turn generated intense media intereet. There were stories abont secret government plans to hold a referendum on joining in 1999. There were reports that Mr Brown, who is generally more positive about Emu than Mr Blair, was warring with the prime minister over the terms of the forthcoming Emu statement. Most of these reports were met with official denials, but the precise terms of the FT story never were.

Meanwhile Euroeceptic newspapers, including Labour's powerful new tabloid friend, The Sun, started to attack the government. "We had to kill the FT story but it just refused to die," said a eenior government official.

In the past week, there has been a flurry of meetings between Mr Blair and Mr Brown to finalise the government's position on Emu. They agreed that sterling would not join at the 1999 launch, as had been long expected – and under the terms of the UK's so-called Emn opt-out, they had to make this clear hy the end of the year.

But they also recognised the need for e statement about their longer term Emu ambitions. This was particularly important since the UK is to he European Union president next year and therefore to chair politically sensitive meetings to decide the structure and membership of the single currency.

The approach initially considered, of making a general statement that the UK would join after 1999 subject to a series of economic conditions being met, was rejected.

"If we had made that sort of statement, the question of when we were going in would have hung over all our economic policymaking for day after day, week after week," said a government member. "Every Budget, every interest rate change would have been picked over to see if it made it more or less likely that we were joining."

"The reaction to the FT etory showed that Emu would overshadow our entire domestic economic policy agenda unless we did something about it," said another.

So on Thursday night the prime minister and the chancellor agreed the new line, that they needed a finite period of "stability" during which the UK would remain outside Emu. But they were not ready to make the long and detailed public statement of their plans, which is now promised for the first three weeks after the Commons resumes next Monday.

Uncertainty about Mr Blair's plans for the pound will continue a while longer.

Government streamlining urged

By Nicholas Timmins, Public Policy Editor

The government could save £3.5bn ($5.7bn) e year by automating, integrating and devolving large parts of government, according to a pamphlet published yesterday by an adviser to Tony Blair, the prime minister.

Among its proposals are that the delivery of welfare benefits – though not the assessment of entitlement – should be privatised, so that an electronic card would allow payments to be picked up at cash dispensers or supermarket checkouts.

The Inland Revenue and Customs & Excise should be merged and obliged to lighten the load of inspection on business, it says.

In addition, local councils should take over the management of benefits and employment offices, providing one-stop shops for access to government services. And data should be pooled across government departments so that the same information did not hsve to be repeatedly provided when people dealt with government.

The proposals feature in a Fabian Society pamphlet by Liam Byrne, who last year advised Mr Blair on re-inventing government before running Labour's business campaign during the general election. He has also been edvising David Clark, the public service minister.

Mr Clark said yesterdey the thrust of the changes was "very much the line we are taking" as the ruling Labour party developed the "better government" policy paper dne for publication next year. While not endorsing the specific proposals, he said: "We must make government simpler for the citizen to deal with, and we are determined to get departments working together."

Mr Byrne says the old relationships between departments have not changed, so young people seeking employment or bsnefits might have to deal with up to 11 different government offices, and lone parents with seven. Meanwhile, businesses are subject to inspection by 10 different agencies.

The civil service still relies on "obsolete structures, antiquated procedures and outdated technology" and is "quite unfit" to deliver Mr Blair's vision of an information age society, he says.

Since 1989 banks, whose work is similar to much of the government's service delivery, have cut their staff by 17 per cent, while the government had managed only a 6 per cent reduction.

The good news, the pamphlet says, is that private sector use of technology to develop its own networks, from loyalty cards to interactive television, provides a chance for government to "piggyback", avoiding the expense of building networks from scratch.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey Natl Treas 7% Gtd. Nts. 1997 $70
Do. 11.50% Gtd. Nts. 1997 L575,000
Alliance & Leicester 6.4p
Budgens 5% Conv. Unsec. Ln. £2.50
Graham Grp. 2p
Hanson 10⅜% Bds. 1997 £103.75
Irish Perm Treas 6.75% Gtd. Bds. 2000 IR675
Do. 7% Gtd. Bds. 2001 IR700
Islington Corp. 11.9% Rd. 2017 £5.95
Japan Devl Bk. 7% Gtd. Bds. 2000 £70
City of Kobe 9½% Gtd. Bds. 2004 £95
Mitsui & Co Intl. Fxd. FRN. 1999 Y255,604
Morgan Stanley Equity Prf. Eq. Rd. 5.586p
Nippon Tel & Tel 10¼% Nts. 1999, C$102.50
PSD Grp. 2.4p
Qualceram IR1p
Rand Mines R0.15
Rio Tinto 10.37p
Royalblus Grp. 0.75p
St James Place Capital 0.75p
Sedgwick Grp. 3p
Tokyo Tatemono 6.10% Bds. 1998 Y810,000
Do. 6.15% Bds. 1999 Y615,000
Wellington Underwriting 1.8p
WF Electrical 11p
Yokohama (City of) 7% Gtd. Bds. 2006
Yokohama Fin Cayman Gtd. Sub. FRN. 2005 Y443,149

■ TOMORROW
Lloyds Bank 10⅝% Sub. Ln. 2008 5.3125p
Medeva $0.1273
MTL Instruments 2.3p
Prospect 3 Class A Nts. 2006 £1,803.37
Do. Class B Nts. 2006 £1,860.08
Sudwestdeut Lande Cap. Mkt. 6.25% Gtd. Bds. 2003 DM62.50
Westpac Banking FR. Dep. Rec. 2001 $14.68

■ WEDNESDAY OCTOBER 22
Am Home Prods 9.81% Gtd. bds. 2007 £240.25
Armitage Brothers 4.1p
Ashanti Goldfields $0.125
Do. Global Deps. $0.125
Cent Hispano Eurocap B FR. Gtd. Non-Vtg. Pf. $0.96
Christies Intl. 1.4p
De Beers Cons Mines $0.115
Do. R0.72
Finelist Grp. 5.45p
Heritage Bathrooms 4.2p
Irish Continental IR2.16p
Norway (Kingdom of) 7¼% Nts. 1998 C$72.50
Pifco Hldgs. 3.5p
Do. 3.5p
Soc Gen Equity High Yield Prf. Eq. 18.491p
Universal Ceramic Materials 1.8p
Yokohama Fin Cayman Gtd. Sub. FRN. 2003 $3,062.50

■ THURSDAY OCTOBER 23
B.B.L. Intl. Gtd. FRN. Nts. 1999 $154.09
Black (Peter) Hldgs. 4.68p
Common Bk Australia Gtd. Undtd. Cap. Nts. $308.18
Cussins Property 1.57p
Darby Grp. 1.2p
Midland Independent News 2p
RPS Grp. 2.3p
Schroders 7p
Do. Non-Vtg. 7p
TT Grp. 3.22p
YTB Fin (Aruba) Gtd. Sub. FRN. 2003 $1,622.78

■ FRIDAY OCTOBER 24
Abbot Mead Vickers 2p
Amey 4p
Avonmore Waterford IR2.05p
Brasway 0.59p
British Mohair Hldgs. 1.4p
BS Grp.1.5pCavendish Wates 0.9p
Courtaulds Textiles 5.2p
CPC Intl. $0.45
Davis Service Grp. 3.73p
Devro 3.1p
Flying Flowers 2.45p
Gaskell 2.4p
Hanson 4p
Irish Permanent IR4.6p
Matthews (Bernard) 1.8p
Nestor Healthcare Grp. 1.4p
Pegasus Grp. 2.5p
Platinum Intl Fin. B FRN. 2003 Y659,643
Quarto Grp. 2.2p
Richardsons Westgarth 1.6p
Saville Gordon 1.9p
Smith (W.H.) Grp. 10.4p
Waterford Foods IR1.9p
Westpac Banking FRN. 1997 $14.69
Wilson (Connolly) Hldgs. 1.5p
Wood (A) (Longport) 2p
Yokohama Finance Cayman $3,575

■ SATURDAY OCTOBER 25
Brit Gov Stocks 9½% Conv. 2004 £4.75
Manchester (City of) 11.5% Rd. 2007 £5.75

■ SUNDAY OCTOBER 26
Australia 11¾% Ln. 2015 £284.375

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Pifco Hldg. Eltrop Grange, Thorley Lane, Manchester Airport, 9.30
TR European Growth Tst. 3, Finsbury Ave, E.C., 12.30
Tring Intl. Grp., Triangle Business Park, Wendover Rd., Aylesbury, 9.30
Wyko Grp. The Birmingham Botanical Gdns. Westbourne Rd. Edgbaston, Birmingham, 12.00
BOARD MEETINGS:
Finals:
Creston Land & Estates
International Biotech
Interims:
Harvey Nash Grp.
Owen & Robinson
Seton Healthcare

■ TOMORROW
COMPANY MEETINGS:
Black (Peter) Hldgs., The James Watt Room, The Brewery, Chiswell St., E.C., 11.00
Independent Energy Hldgs. College Hill, 29, Gresham St.,E.C., 11.00
Photo-Me Intl., Preston Cross Hotel, Bookham, Surrey, 6.00
Stockbourne, 2, Serjeants Inn, E.C., 11.00
BOARD MEETINGS:
Finals:
Betacom
Charlton Athletic
Paterson Zochonis
Scottish Metro. Prop.
Interims:
Airflow Streamlines
David Brown
Incepta Grp.
Oliver Ashworth

■ WEDNESDAY OCTOBER 22
COMPANY MEETINGS:
Armitage Brothers, Armitage Hse., Colwick, Nottingham, 11.30
Conrad Ritblat Grp. Radisson SAS Portman Hotel, 22, Portman Sq., W., 12.00
Magnum Power, 4, Michaelson Sq., Kirkton Campus, Livingston, 12.00
Smith (W.H.) Grp., Stationers Hall, Ave Maria Lane, E.C., 11.30
BOARD MEETINGS:
Finals:
Lady in Leisure
Wescol Grp.
Interims:
Dana Petroleum
Grampian Hldgs.
Ocean Wilsons (Hldgs.)

■ THURSDAY OCTOBER 23
COMPANY MEETINGS:
Abtrust Latin American Invst. Tst., 99, Charterhouse St., E.C., 12.30
Alumasc Grp., The Farmers & Fletchers Hall, Cloth St., E.C., 10.30
Beacon Invst. Tst., 36, Gt. St. Helen's, E.C., 11.00
Govett Emerging Mkts. Invst. Tst., Shackleton Hse., 4, Battlebridge Lane, S.E., 12.00
Haynes Publishing Grp., Conference Centre, Haynes Motor Museum, Sparkford, Somerset, 1.00
Sirdar, Cedar Court Hotel, Bradford, 12.00
BOARD MEETINGS:
Finals:
Action Computer
Interims:
Luminar

■ FRIDAY OCTOBER 24
COMPANY MEETINGS:
Ball (A.H.) 50,Stratton St., W. 11.30
Epic Multimedia Grp., Royal Albion Hotel, 35, Old Steine, Brighton, 10.00
Korea Europe Fund, 33, Gutter Lane, E.C. 12.00
Quayle Munro Hldg. 8, Charlotte Sq., Edinburgh, 12.00
BOARD MEETINGS:
Interims:
Boxmore Intl.

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

CONFERENCES & EXHIBITIONS

LANGUAGE COURSES

هكذا من الأصل

THIS WEEK

Good governance begins abroad

DATELINE

Washington: Mandarin slogans only highlight the threadbare social fabric, writes **Bruce Clark**

Good governance has become a very fashionable catchphrase in certain parts of Washington's labyrinthine power structure.

Some of the high-powered bureaucrats who descend every morning on this odd little town, from comfortable homes in neighbouring states, probably whisper it under their breath as their cars clatter over the potholes that seem to get ever more common.

But the important people here who speak of good governance are not, as a rule, calling for improvements in America's administration, however desirable those might be.

The phrase has been popularised by the mandarins of the International Monetary Fund and World Bank, as a new way to describe the virtue which the distant lands in their care most urgently need to cultivate.

It reflects the conviction that conservative fiscal policies and realistically priced currencies are not the only keys to successful economic development.

Equally important – or so the new conventional wisdom goes – is the stamping out of corruption, the levying of taxes in a fair and transparent manner, and the consolidation of the rule of law.

Like so many other global developments, the increasing firmness of Washington's mighty financial institutions in preaching administrative, as well as monetary, rectitude throughout the world can be traced in part to the end of the cold war.

In the old days, a corrupt regime in the developing world could play one superpower against another. But now that game is over: the US and other western governments no longer have any strategic reason to condone or subsidise misrule.

Yet there is something weirdly ironic about institutions based in Washington – and strongly influenced by the US government – becoming the world's main teachers of competent administration.

Hardly a day has gone by recently without some revelation about the staggering incompetence and cynicism with which the District of Columbia has been administered and policed in the last few years.

Even by the standards of troubled American conurbations, Washington is an administrative disaster area – the dimensions of which are only now becoming clear as a financial control board, established by Congress, takes over the reins of government from Mayor Marion Barry.

Mayor Barry, re-elected for a fourth term after a six-month prison sentence for cocaine use, has been forced to surrender most of his powers to the control board as part of a financial rescue package launched in August.

The mayor, who once oversaw a bureaucracy of 50,000 people – nearly one in 10 of the city's population – protested bitterly about the "rape of democracy" in the District which was granted self-rule in 1973. But with the Republican-led Congress setting a stiff price for bailing the city out, he seems to have had little choice but to settle, at least for the time being, into a largely ceremonial role.

President Richard Nixon's grant of home rule for the District, whose population is two-thirds black, was once hailed as the "ultimate act of decolonisation". The suspension of self-rule, with a grouchy Republican Senator from North Carolina called Lauch Faircloth virtually dictating the terms, has inevitably been viewed as "neocolonial" in some quarters.

But the consequences of misrule have fallen hardest on the city's poorest areas. For the affluent inhabitants of the District's northwestern sector, city government is something to grumble about at dinner parties – high taxes, endless and pointless roadworks, drinking water of dubious quality.

For the less well off, including the 100,000 or so who inhabit the urban shooting range of Anacostia, the effects of maladministration can be far more deadly. The District's homicide rate, at more than 300 a year, is five times that of Boston, a city of similar size. Only a third of these murder cases are solved, compared with a national average of two-thirds.

A report leaked to the press this month painted an horrific picture of drugs and guns stored in ramshackle, unsecured police warehouses; medical evidence from rape cases ruined by sweltering heat; and a police force that massively abuses overtime pay but failed to follow clear leads in more than 100 recent murder cases.

It has also emerged that Washington's death rate from fires is double that of other important cities, because of poor emergency medical services and a shortage of fire engines. The city's schools, in such appalling condition that middle-class people tend to flee the District as soon as they have children, have been the subject of interminable fights.

Faced with the apparent paralysis of other branches of authority, and a long-running law suit brought by a parents' group about fire safety, a feisty judge called Kaye Christian has acquired great power over the school system. Most city schools began three weeks late this autumn, and some have still to open, because she insisted that classes could take not place while urgent roof repairs were in progress. It was the third late school opening in four years.

But few of the international civil servants who devised the policy of good governance for the world will be paying attention to the intractable problems on their doorstep. They go home at night to leafy places in Virginia and Maryland, where the taxes are lower, the roads are mended, and the state schools are superb.

The Monday Profile: Harvey Golub, American Express

Cost-conscious card player

For a man occupying a seat which has been hot in recent years, Harvey Golub seemed very relaxed as he outlined his strategy for American Express over coffee and bagels 50 storeys above Manhattan.

When he took over as chief executive in 1993, his predecessor, the flamboyant Jim Robinson, had just made one of the more abrupt forced departures in Wall Street history. The company Mr Golub inherited looked to many like an anachronism.

A costly attempt to create a financial services conglomerate including the Shearson Lehman investment bank was being dismantled. Meanwhile its central card product, which charged an annual fee and did not allow holders to borrow, looked increasingly bad value compared to a new generation of credit cards which rewarded their customers with air-miles for heavy spending.

Five years later, things look different. AmexCo under Mr Golub's more restrained leadership has made painful cost cuts which have helped both earnings and its share price. The latest, announced in January, saw 5 per cent of the workforce laid off, with the company taking a $125m (£77m) restructuring charge.

A trickier challenge is to improve revenues. American Express' share of the US market has fallen consistently during Mr Golub's tenure, as it has in every year since 1988. But there are signs that his decision to abandon the company's reliance on the green charge card and launch an array of credit cards with different commercial partners is beginning to pay off.

For the first six months of this year, American Express accounted for 18.9 per cent of money spent with US payment cards, according to the California-based Nilsou Report. That was up on the 18.31 per cent share registered last year, but still a long way behind the 26.18 per cent share it commanded in 1988.

This year the company has launched new cards, in Argentina, Australia, Brazil, Hong Kong, Mexico, Taiwan and Turkey. His target is to derive half of all the company's revenues from outside the US.

"We don't want to achieve that by diminution of the growth rate in the US. The increase in revenue will primarily be bere, simply because of the mathematics. Seventy per cent of our income is within the US."

But the future of the business lies overseas. "Network deals are coming, fluidly. The more we can do with the same structure the better. The variable costs are covered by the current income."

The focus in the last two years has been on management team infrastructure and capabilities to launch the products, with a special team of managers created to handle every international deal.

Mr Golub also seems proud that all the senior managers in its international payment business are now non-American.

Similar deals with banks in the US are blocked by regulations imposed by Visa and MasterCard, which bar their member banks from issuing American Express cards – although similar rules have fallen foul of competition authorities in Europe.

While Mr Golub denies that changes in these rules are essential to American Express, he obviously cares about the issue: "This country has long prided itself in being a leader in anti-trust law. But it feels to me like the European Community and the Treaty of Rome are in fact taking a leadership position."

A final strategy to increase revenues is to use the "brand equity" from its card business to help with its large brokerage operation, a legacy of the 1980s acquisitions formerly known as IDS, recently re-named American Express Financial Advisers. The idea is that this will allow the brokerage to increase sales on the back of the card business.

"We have only a few million Financial Advisers customers, all in the US. We have tens of millions of card holders in the US. American Express is a more widely known and better trusted brand than was IDS. We have advisers who are getting unsolicited calls for the first time in their careers. People went through the phone book and saw the commercial. The brand helps them do business."

Mr Golub, who once headed IDS, has keen plans for the business, and US card holders have already been sent mail-shots offering them a free financial consultation from the company.

Despite the growth strategies, however, cost cutting is not over. "It will go on. Cutting costs is the hardest thing any executive has to do. I don't know anyone who enjoys it.

But you have no choice about whether you do it – you can only choose when."

John Authers

FT GUIDE TO:

EURO-INSURANCE MERGERS

Within days of each other, two of Europe's biggest insurance companies announce plans to merge and another makes a bostile bid for a rival. What's more, the size of the deals is unprecedented and they are taking place across international borders. What is happening to the sleepy world of insurance?

This has been a long time brewing. Insurance ceased long ago to be a dry exercise in using statistical tables to calculate risk and to set premium rates. The £23bn ($37bn) merger between Zurich and BAT shows how much of a sideshow underwriting has become. The big issue now is how to get at customers, many of whom want much more than a life policy which pays out a lump sum if they die early.

So what does Zurich gain?

Another 8m customers in the US to whom it can sell a whole range of fund management products. It also gets a stake in the UK's booming life assurance and pensions market. Pensions are big business.

The population in developed countries is ageing and social security infrastructures are buckling under the pressure. Demand for personal pensions is rising and the private sector will benefit bugely during the next few years.

Why has competition in insurance increased?

A bull run lasting several years in equity markets and an absence of big hurricanes have left companies flush with cash. They have been using the surplus capital to cut prices and to underwrite more aggressively. The telephone sales revolution which transformed insurance in Britain is spreading and the markets in continental Europe, where prices had been tightly controlled, have been deregulated.

Pressure to reduce costs has grown and that in itself has driven deals like Royal Insurance's merger with Sun Alliance last year and the acquisition of France's UAP by Axa. Added to that, banks are snatching customers away from insurance companies. All in all, the industry is in a tight spot.

So why don't insurers co-operate with the banks?

They do and there is a bit of give-and-take. Several insurers have developed alliances with banks, which enable them to sell their products over the counter in the high street, as well as through the long-established networks of local salesmen who knock on your door – or, more often these days, ring first and then appear with a laptop under their arm.

Some have gone mncb further. Winterthur, Switzerland's second biggest insurer, was bought by its banking ally Credit Suisse in August, creating a "bancassurance" group.

Are we going to see many more deals?

Probably. Generali, Italy's largest insurer, has just launched a hostile takeover bid for AGF, France's second-biggest. That should be a good scrap and shows best the kind of pressures insurers are under. Generali is very strong in its home market; so much so, in fact, that there is little point in expanding there any more.

France is one of the biggest markets in the world, and right on its doorstep, so it is no surprise that Generali has been casting around for an acquisition. The problem is that others are trying to do the sama and the range of options is becoming increasingly limited.

What are the chances of cross-border deals being blocked?

Just now, the chances are low. Generali and AGF together would not have enough of the French market for a merger to be vetoed on competition grounds.

In the longer term, however, were an insurer to acquire more than a 25 per cent share of any market, the authorities would probably take action. The EU last week cleared the acquisition of Winterthur by Credit Suisse, a necessary step because Switzerland is not part of the EU.

For BAT and Zurich, the approval process is likely to be more convoluted, especially in the US, where each state has its own insurance commissioner. Because of the gronp's unusual twin-headed structure, it is likely to take a year for it to obtain the necessary approval from US regulatory authorities and tax clearance from the UK's Inland Revenue.

What effect will European monetary union have on the insurance world?

Difficult to say. Some think very little. While Emu will undoubtedly facilitate trade in manufactured goods, a greater degree of harmonisation between European countries will be needed for insurance to benefit. Life products are subject to complex tax rules, legislation, and regulatory requirements, which vary widely between member states.

And the future?

There is a buzzword in the industry to characterise the recent deal-making: "globalisation". Certainly, companies are getting bigger and operating in more countries. But few yet have sufficient market share outside their home markets to be called global. That is a process that will take several years and is only the beginning.

Christopher Adams

Robert Chote · Economics Notebook

A dilemma for democracy

The dynamics of interest rate decisions are poorly understood

Gordon Brown's decision to surrender control of interest rates to the Bank of England creates a dilemma for believers in democratic government.

Changes in interest rates have a profound effect on the lives of ordinary people and the way they are set is a matter of public interest and legitimate political concern. But, at the same time, the whole idea of making the Bank independent is to protect it from vote-grubbing politicians.

To sqnare this circle, an independent central bank must persuade the public that it should be allowed to take decisions of whicb they might disapprove in the short term, by reassuring them that it will be acting in their own long term interest. To secure this consent, the central bank must always explain its actions and be prepared to defend them after the event.

As Alan Blinder, former vice chairman of the US Federal Reserve, said in a speech last year: "Public accountability is a moral corollary of central bank independsnce. in a democratic society, the central bank's freedom to act implies an obligation to explain itself to the public. Thus independence and accountability are symbiotic, not conflicting. Accountability lagitimises independence within a democratic political structure."

Under the legislation which will be presented to parliament in the next few weeks, much of the responsibility for holding the Bank to account will fall on the Treasury Salect Committee of the House of Commons. But it will not ba enough for MPs to read the Bank's quarterly Inflation Report and the monthly minutes of its monetary policy committee, and then fire off a few questions at the governor every now and then. The select committee must look below the surface and try to understand the real dynamics thst determine interest rate decisions.

The first step will be to analyse the way in which individual members of the monetary policy committee vots. So far all its decisions have been unanimous, but this need not be so. Formal votes are taken at each meeting and the decision of each committee member is published openly. But studies of the Federal Open Markets Committee, which sets short-term interest rates in the US, suggest that formal votes may paint a misleading picture.

"When monetary policy directives are formally voted upon, all participants know that the proposal bas been crafted so that it will pass", according to a study by Henry Chappell and two colleagues at the Universities of North and South Carolina.* "Each individual must then cast either an assenting or dissenting vote. In most cases, individuals choose to assent even when they have reservations about the proposed policies. As a result, the formal voting record masks much of the information on individuals' preferences".

Prof Blinder's experience at the Fed confirms this impression. He found there was "a tradition that dissent is a huge deal, that you only dissent on a really fundamantal disagreement. It's in tha water."** The monetary policy committee in the UK may well develop a similar culture.

Chappell et al tried to fathom the FOMC's decision-making process by looking at transcripts of the meetings rather than relying on self-censored voting records. Transcripts were only availabls for the 1970s, but they suggested two main conclusions. First, that majorities on the committee pushed through their preferred position without moderating it to reflect the views of the minority. Second, that the opinion of the chairman at the time – Arthur Burns – carried four times the weight of other FOMC members.

If anecdotal evidence is to be believed, the disproportionate power of the chairman has certainly survived into the Greenspan era. It will be interesting to see if Eddia George, the governor of the Bank, wields similar influence in the UK, especially as the chancellor favoured independence in part because he wanted monetary policy depersonalised.

In addition to examining the power of the governor, the Treasury Select Committee should also keep a close eye on the relationship between tha "insiders" on the monetary policy committee and its independent members. At full strength, the monetary policy committee will comprise five Bank officials (the governor, two deputy governors and two executive directors) and four outsiders (two academics, a former industrial economist and a former Treasury official).

It is easy to imagine one of the outsiders dissenting from the majority view, but it is less easy to imagine the insiders voting against each other. Will the Bank's chief economist really be prepared to vote against the depnty-governor responsible for monetary policy or against the governor himself? Bear in mind that the Fed chairman and President of the New York Fed have not voted against each other on the FOMC in living memory.

But on the FOMC, the distinction between insiders and outsiders is not really clear cut. The Fed chairman wields power largely through his own authority – bolstered by his staff economists, who provide influential hut unpublished forecasts and advice to FOMC members in the so-called "greenbook" and "bluebook". Even the Fed's Washington-based governors sometimes feel like outsiders, and in recent years they have complained on occasions that the chairman and staff keep them in the dark.

On the UK policy committee, the Bank insiders not only have institutional back-up – they also command the majority of the votes. But what if they are not prepared to vote against each other? What then is the point of the outsiders? They can only hope to influence the insiders' position before they vote.

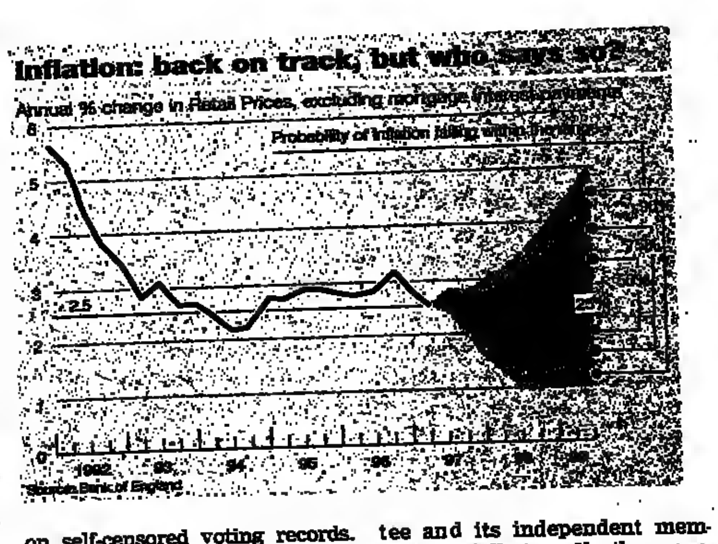
The Bank's published inflation forecast also looks increasingly anomalous in the new regime. August's forecast was described as the collective view of the committee, but in the future differences of opinion about interest rates might surely reflect differences of opinion about the outlook for inflation. Even if individual members are allowed to dissent from the forecast, the "house view" it embodies is likely to dominate committee decisions even more than the staff projections do at the Fed.

Against this backdrop, it may not be clear for some time where power really lies in the monetary policy committee and who is in fact setting interest rates. But the Treasury Select Committee should endeavour to find out.

**Voting Models of Committee Decision-Making: An Application to the FOMC, by H Chappell, W Keech & R McGregor, 1996.*

***Back from the Brink, by Steven Beckner, John Wiley, 1996.*

E-mail: Robert.Chote@FT.com



Broadcasters square up for a violent pay per view clash

'Big basic' British television is under threat, write **John Gapper** and **Alice Rawsthorn**

For those who like watching fights, the coming of pay per view television to Britain presents a wonderful opportunity. Not only can they see events such as Prince Naseam Hamed defending his world title live on BSkyB, but they also get a ringside seat for a tussle between broadcasters.

Pay per view, under which television channels sell movies, sports and music events on a one-off basis, has been a force in the US for 18 years. Satellite companies such as DirecTV, which can show movies around the clock at staggered start times, can now exploit its full potential.

"Pay per view is the most honest form of television," says Sam Chisholm, chief executive of BSkyB, which plans to offar movies starting every half hour – a technique known as near video on demand – when it switches to a digital service with 200 channels in spring next year.

Yet pay per view also represents a potential threat to BSkyB because it could undermine its dominance of pay television in the UK. Four cable companies have just signed a deal with the Hollywood studio Warner Brothers to show its movies on a pay per view basis to all UK cable subscribers.

Cable companies say pay per view will give them access to programming – rather than having BSkyB as a mediator – and a greater choice for their viewers. "Customers will pay for what they want, not what they don't," says Steven Wagner, managing director of the cable company NTL.

The latter is critical for cable companies, which complain that low take-up of television by UK cable customers – 28 per cent of customars take television services – is partly due to BSkyB's bundling of many channels into a single offering, an approach known as "big basic" in the US.

"This industry has gone down the route of big basic, which is flawed. If you go to the supermarket, you don't find Coca Cola only in two-litre bottles," says Mr Wagner. Yet pay per view's approach – akin to buying Coke by the mouthful – is little known to the British television viewer.

BSkyB started the experiment by showing Frank Bruno's world title fight with the US boxer Mike Tyson in March last year and gaining 600,000 viewers at £9.95 each. Since then, it has shown a few big sporting events, and last month a concert for Monserrat organised by Sir George Martin.

Yet BSkyB admits it has as yet dabbled with pay per view. "In analogue television, with only limited channels, pay per view is not really a huge business. What makes it attractive on a larger scale is having a lot of channels," says David Chance, BSkyB's deputy managing director.

That capacity will come with digital television, which will radically expand the capacity of satellite and cable. The French pay television operator Canal Plus has already begun to exploit such capacity on its Kiosque pay per view channel, which shows sport including Formula 1 racing.

Kiosque, launched in April last year, is showing this season's Formula 1 races on six channels simultaneously, allowing viewers to switch between cameras themselves. "You can watch from inside Schumacher's car or from the starting line," says Alexandre Michelin, head of Kiosque.

The use of such flexibility to attract viewers is among the reasons why BSkyB is investing heavily in pay per view as part of its digital offering. It has spent £60m on a digital centre at its headquarters in Isleworth, west London, and estimates its total investment on digital at about £1bn ($1.62bn).

Broadcasters are not the only participants who see potential in pay per view. For the entertainment industry, the development of pay per view television promises to create a lucrative market for the rights to feature films and special events such as rock concerts.

The chief beneficiaries should be film producers, who have already seen their income from selling television rights rise sharply in north America and in Europe, notably Germany, as competing channels have come on air.

In the US, revenues from pay per view film rights more than doubled from $190m to $430m in three years to 1996, according to Veronis Suhler, the US investment bank, which expects the market to double again in three years. Producers hope for similar growth in the UK, albeit on a smaller scale.

PolyGram, the Dutch entertainment group which has produced a series of UK-made films including *Trainspotting* and *Bean*, clinched a UK pay per view deal with BSkyB six months ago. Warner Brothers' agreement with the UK cable companies is expected to be replicated by other studios.

Rock and pop stars also stand to benefit, as they tend to have contractual rights to all pay per view revenues. But few have sufficiently broad appeal to command a large pay per view audience. Concerts broadcast by the US channel HBO tend to feature mainstream artists such as Whitney Houston.

"You might be able to sell the first night of Oasis or U2, or Fleetwood Mac's comeback, to pay per view, but that's about it," says one executive. "There's some mileage for music, but only as a poor third after sport and movies."

Even for the established attractions, pay per view is a difficult service to deliver and market. The delivery requires not only large transmission capacity, such as that on digital satellites or fibre optic cables, but good customer service facilities and robust infrastructure.

BSkyB argues that it is in advance of cable companies in support services. Its customer centre in Scotland takes orders over a voice recognition system that handles 1,000 orders per minute. "We have an infrastructure that took us two years to plan and build. Where is cable's equivalent?" asks Mr Chance.

However, cable proponents argue that it is better suited to digital pay per view because viewers can place orders over the network using remote controls. "Cable has an advantage because the ether has limited capacity," says Andy Birchall, chairman of On Demand Mangement, the cable pay per view group.

A second competitive issue is marketing. Mr Michelin argues that networks like Canal Plus that combine pay television with pay per view have an advantage both in buying services and in selling them to customers. They can cross-promote special pay per view events on their other pay channels.

"People have access to 40 channels anyway with digital. Pay per view works if they have a passion for something," he says. Canal Plus has used Kiosque to support its main services, for example, by showing some French football games on its pay channel, with additional matches on pay per view.

Mr Michelin says it is careful not to cannibalise its other services, but instead to build pay per view around them. That is a challenge to cable companies which rely on pay per view as a core service. They will not have the opportunities either to cross-promote, or to supplement services.

Marketing is one area in which BSkyB has an advantage since its Sky Box Office service will be heavily cross-promoted. Yet UK channels have some way to go before they are as inventive as an Israeli channel that delivers a free pizza to all those who buy two movies.

Investing heavily in pay per view: David Chance, deputy managing director (left), and Sam Chisholm, chief executive and managing director of BSkyB

Personal View · **Martin Sorrell**

Why market research is so crucial

Data analysis worldwide is increasing as companies seek a common language

If you went out with a clipboard and questionnaire, or asked a focus group what they associated "globalisation" with in the marketing industry, you would probably receive answers about worldwide branding campaigns or mergers of advertising agencies.

Less visibly, but no less importantly, market research is expanding and becoming more international. According to the European Society for Opinion and Marketing Research, the world market for such research rose by about 10 per cent last year.

The behaviour of multinational companies is at the core of this growth. As organisations, especially those in packaged goods, seek to improve revenues and profitability, they are becoming more interested in analysing the similarities and differences between consumers in various countries.

They want to develop a common language that will enable them to achieve economies of knowledge and coordination. For example, Niall FitzGerald, Unilever chairman, recently addressed senior managers on the issue of "Unileverage – without it the best in Unilever will always be less than the whole of Unilever".

A strong element of covering one's back also lies behind the expansion in market research. Differentiating products and services is becoming harder, and product life-cycles are becoming shorter. So intuitive decision-making is riskier. It is now rare even for those who rely most on intuition to make decisions without reference to research-based analysis.

On the other side of the equation, market researchers have improved tha service they can offer. Historically, one of the problems with the industry has been its slowness to respond. Often the time taken to devise a questionnaire, address a particular problem, obtain the answers, and analyse the data involves such a long process that the problem itself may have changed.

Given developments in PC technologies and the growth of the internet, it should be easier for companies to develop ways of analysing and responding to problems more quickly.

The service is also becoming more sophisticated as the market research and direct marketing industries move closer together. The development of database marketing and data-mining mean that clients will be able to use their own databases and "mine" information from them to analyse consumer behaviour and predict future trends.

However, there is a darker side to the development of the industry. By pursuing greater efficiency, companies have also closely examined areas of their cost structures. And because the resources of internal market research departments have been cut back so much, the function has been outsourced.

It is not merely in consumer goods companies that it seems unwise to reduce market research capabilities so drastically. In essence, market research is about understanding consumers and their needs – which should be a core competence at any company's heart.

The author is chief executive officer of WPP

Tim Jackson · On the Web

Word of mouth adds value

"We use a kid of sixteen. He comes in for two and a half days a week. At first, he was much too enthusiastic; he'd be saying things like 'Wow, this is really terrific!'. I had to restrain him. But he's learned the right degree of cynicism now."

The speaker, whose name and affiliation I promised not to reveal, occupies a senior editorial position at one of Europe's leading media web sites. The site, which makes its money from advertising and promotions, is aimed specifically at the mass markets of football, pop music, and fashion.

Like other companies, it is doing everything it can to drive traffic to its site. It has partnerships with other content providers, it encourages fans to install links to its home page from their own web sites. As well as selling advertising, it buys banner ads on its own account.

But the site editor quoted recognises that these activities are only part of the process of promotion. The single most important factor in success on the Web, he knows from experience, is word of mouth.

Until the internet came along, word-of-mouth recommendation was an essentially random process. But even the most basic attempts to direct it had produced dividends: one of the most successful was the MCI promotion giving discounts on long-distance calls to people who nominated a "calling circle" of friends and family who could then be recruited in their own right.

The internet, however, has injected new possibilities into word of mouth. One company recently covered in this column that makes innovative use of it is Mirabilis, the maker of a software package called ICQ that allows people to stay in instantaneous contact with friends and colleagues over the web.

When I last wrote about it, ICQ had 2m users – and was expecting 10m in three months. Its marketing secret? A facility letting customers provide the e-mail addresses of friends, so that the company could offer the friends a free service.

But word of mouth over the internet need not be high tech. "Promoting on the web is all about communities," explained the anonymous site editor. "If peopla see that one of their peers has recommended a web site, they'll go there. So instead of pushing a million leaflets through a million doors telling people to buy my product, I hire someone to mail out handwritten, individual recommendations. And what's more, it only costs £7.50 an hour."

Here is how the process works. The 16-year-old is given a list of offers or promotions that the site wants to publicise. He then uses a web site called Deja News (www.dejanews.com) to carry out an instant search of nearly 20,000 internet discussion groups. The promoter then messages the appropriate groups, purporting to be a fan, encouraging people to go to his employer's web site.

The writer uses an e-mail address that contains nothing more than a pair of initials on the left-hand side of the '@' sign. That has the advantage that he can pose as male or female depending on whether the context is football or cosmetics.

Writing the copy is a subtle business. After several months of training, the 16-year-old has learned not to be too complimentary, as that might raise the suspicions of his readers. Instead, he is encouraged to drop in the occasional barb about the site to preserve his appearance of independence.

Sometimes he publishes the answers to competition questions in his messages as well. "I don't care," explained his boss. "The only point of the competition is to persuade people to come to the site. If we're giving something away, it's the tie-breaker question that matters most, anyway."

If the employment of this youngster were to be found out, the site owner might easily be subject to penalties for dishonest advertising. But the executive believes that many other content sites do the same thing.

I draw two conclusions. First is that this sort of activity is one of the remnants of the wild-west, unregulated character of the internet that is already disappearing.

Second, technology may render this form of marketing counter-productive. Deja News's site includes a search feature that allows you to click on the e-mail address of someone who has posted a message, and to see a details list of all messages they have posted to other discussion groups. As the price of being found out increases, this form of publicity will probably die away.

tim.jackson@pobox.com

UK retailers sign up to internet code

Group aims to protect consumers, writes **Stephen McGookin**

Leading UK retailers have lined up behind a code of practice for electronic commerce launched this month.

The Interactive Media in Retail Group, which has more than 200 corporate members in more than 20 countries, has won the backing of Marks and Spencer, Kingfisher and the Burton Group, with several other retail organisations, for its hallmarking system which aims to protect consumers who purchase goods through the internet.

James Roper, IMRG's managing director, says an industry standard of this sort is needed to engender consumer confidence and provide a mechanism for complaints.

The code will not, he says, have the force of law, but only the weight of peer pressure among companies in the sector.

"However," Mr Roper adds, "we think that will be able to achieve a lot in the short term."

The code will also recommend that merchants ensure their advertisements and sales promotions comply with the Advertising Standards Authority's guidelines.

While the IMRG code will be voluntary, participating retailers will be able to display a logo on their web pages indicating their acceptance of the code.

Mr Roper believes it is necessary to have a Europe-wide industry perspective on the whole approach to electronic commerce.

There is what he calls Europe's "internet deficiency" – 14 per cent of US homes are online, compared with only 2 per cent in Europe. The continent also lags behind the US in overall numbers of electronic commercial web sites, and 29 per cent of European sites are based in the UK.

"The danger is that European consumers will end up buying from America," says Mr Roper.

Mr Roper argues that vendors should adopt a more professional approach to creating an attractive online proposition. At the moment, he says, more than 60 per cent of the UK businesses that are on the internet design their sites in-house, at an average cost of less than £5,000.

Government also has a role to play in promoting internet commerce, he believes. He cites the French government's recent decision to phase out its phone-based Minitel information system, which, in the words of Lionel Jospin, the prime minister, had threatened "to become a brake on the development of new and promising applications of information technology".

■ Further information on the code is available at the IMRG web site, *www.imrg.org*

MANAGEMENT

Haig Simonian looks at the transformation of car component makers

Changing gear

The fashion among automotive component makers to shake off their rustbelt images seems to know no bounds.

After General Motors, the world's biggest carmaker, repackaged its Automotive Components Group as Delphi in 1995 and Nippondenso slimmed down to Denso last year, others have been rechristened and reshuffled to break away from their repair shop roots.

Last month, Ford added its name to the list by redubbing its massive Automotive Products Operations as Visteon. A few weeks earlier, Rockwell's automotive division was hived off as Meritor.

There is more to the changes than brightening up a dull industry. Parts companies argue that the renamings are an external manifestation of the wider transformation under way to release resources, concentrate on core activities and raise competitiveness.

The greater focus reflects the changing face of the car and commercial vehicle sectors – the parts makers' main customers.

Globalisation and cost cutting have made vehicle makers far more dependent on their suppliers. Leading suppliers are now expected to follow their customers into new markets and to boost their spending on research and development to compensate for savings by the vehicle makers. The rewards are closer links and bigger orders – albeit at the cost of deeper discounts.

The result has been relentless rationalisation on the supply side to create a smaller number of very large groups. Some, such as Johnson Controls or Magna, are among just two or three big international specialists in their respective areas of seats and interiors.

By contrast, the big in-house component operations owned by carmakers such as GM and Ford have been notably less nimble. Delphi is the world's biggest car parts company, with sales of $27.8bn (£17.3bn) last year. Visteon ranks second with $16.4bn. Both have businesses ranging from sophisticated electronics to basic metal-bashing.

Neither has always managed to match their best independent competitors. Charlie Szuluk, Visteon's president, admits his company has often been slow to react.

One of Visteon's most glaring failings has been its inability to follow the growth in "systems". Rather than buying individual components, vehicle makers have increasingly turned to their suppliers for entire "systems", such as an axle with brakes and suspension attached. The trend towards "systems" – and outsourcing in general – is why the components sector, with estimated annual sales of about $240bn a year, has been growing faster than the core vehicles business, says Mr Szuluk.

Mr Szuluk, and J. T. Battenberg, his opposite number at Delphi, believe big manufacturers such as GM and Ford can make their massive parts operations more competitive only through greater transparency. Hence the decision to hive off, and rename, such activities.

GM already requires Delphi to bid against independent specialists for business from the group's vehicle brands, such as Oldsmobile in the US or Opel in Europe. The end of guaranteed in-house orders has made Delphi much more competitive: 37 per cent of its sales come from outside GM's North American vehicle operations, once its monopoly customer. The aim is to increase that to 50 per cent by 2002, says Mr Battenberg.

Visteon has similar, if vaguer, ambitions. Mr Szuluk says he wants to increase the proportion of sales from outside Ford from 5 per cent to 20 per cent "in the next few years". The comparison with Delphi is not as unfavourable as it seems; Delphi's definition of "outsiders" includes GM's non-US subsidiaries. Visteon's figure would be higher if it used the same yardstick.

Visteon is regrouping the six divisions of its predecessor, Ford's Automotive Products Operations, into seven new operating divisions as a first step. Some, such as glass, will remain unchanged, bar the new name. Others, such as exterior systems, will combine elements of previous divisions, such as plastics and trim, with other operations.

The aim, says Mr Szuluk, is to create a more transparent division with a much sharper marketing edge. To hone its cutting spirit, Visteon has hired Craig Muhlhauser, a 48-year-old senior vice-president from Pratt & Whitney, as executive director of marketing sales and service.

But Mr Szuluk remains extraordinarily reluctant to detail Visteon's plans. Unconvincingly, he argues his strategy is different from Delphi's. After years of slimming down, divesting unprofitable subsidiaries and expanding abroad, Delphi is being groomed for flotation, probably next year.

Mr Szuluk's wish to differentiate his plans from those of Battenberg's is more than just a matter of executive ego. Delphi's transformation has only come at the cost of strained relations with the powerful United Auto Workers union, which has called repeated strikes to oppose Delphi's plant sales and closures.

The UAW, like counterparts in other big carmaking countries, is deeply suspicious of any plans by carmakers to restructure their components operations. The issue is not just one of potential redundancies: workers in big carmakers' components subsidiaries earn the same relatively high rates as colleagues on the assembly line. By contrast, pay in independent parts companies is appreciably lower.

Mr Szuluk refuses to comment on whether Visteon will undergo a similar transformation to Delphi. He prefers to talk of growing the business, rather than slimming it down.

But the signs seems clear. In recent years, Ford tried, for example, to sell its glass business. Poor profits and inflexible labour contracts meant, however, that it failed to find a buyer. Now it says it wants to raise the operation's profitability on its own.

By turning the components operation into an arm's length division, Ford is hoping Visteon may succeed where it failed. Doing so without straining industrial relations across the group will be worth more than just the change of name.

Colin Beere

Hunt (left) and Palmer: 'We have to sell really hard'

PARTNERS

Hunt & Palmer

Jeremy Palmer, 42, and Peter Hunt, 46, launched Hunt & Palmer in 1986. They specialise in chartering aircraft throughout the world, from executive jets, to incentive helicopter flights. They have offices in London and Geneva and an annual turnover of £13m.

Jeremy: "We could have called the company Air this, or that, but didn't want to be confused with an airline so we chose our own names and ended up being confused with the biscuit people, Huntley & Palmer. We've used it well, particularly at Christmas.

In our first year we didn't know whether to send our customers a side of salmon, or a bottle of Scotch. In the end we sent out tins of biscuits and put stickers over the 'ley' of Huntley. We then became known as the biscuit brokers, which makes us easy to remember.

From the start we naturally split the business: I took over the financial sector which tends to be short notice and Peter began organising the conferences and conventions which involves larger aircraft and more planning. I wouldn't have the patience to wait two years for a project to come to fruition. I like the buzz of completing something immediately. If there's a major initial public offering, a group of bankers may need to cover 10 European cities in five days, so it's more efficient and cost effective to charter an aircraft.

A lot of the aircraft we charter are privately owned which means they often reflect the owner's personality. We avoid the ostentatious ones with shag pile carpets because they're not to everyone's taste. It costs around £4,000 an hour to charter a Gulf Stream jet so it's not really holiday transport, not unless you're inordinately wealthy. I think the last non-business party I booked had won the lottery."

Peter: "Jeremy and I don't have to sit on the phones all day, we actually enjoy broking. It's a bit like a drug. As the years go by I get in earlier and go home later which is the opposite to how it should be.

A lot of people ask for me personally because they think it's better to be dealing with the boss, so I get drawn in more and more. It then becomes awkward to say, 'Look I haven't got time for this'. If you pass someone across they think you're passing them down which isn't the case at all. We have to sell really hard because most of the carriers aren't interested in the traffic we're offering. If we need a big 767, it's invariably booked as a holiday charter so we only account for about 1 per cent of the business. Once we've found an available aircraft, we spend the rest of the time arranging in-flight services, like the catering.

A few years ago we took Tranmere Rovers to the Anglo Italia cup. When one of the chaps asked for a vegetarian meal for the return journey, the airline spoke to the Italian handling agent who said it wouldn't be a problem. Unfortunately, when the aircraft took off for Manchester it only had the one vegetarian meal on board.

If we're organising a launch for the car industry, or an incentive trip for a large pharmaceutical, they'll invariably want the company logo on the swizzle sticks and napkins.

We even offer outside stickers although they're not a big seller at 38,000ft."

Fiona Lafferty

Why so few women join the board

Contacts play a crucial role in the appointment of non-execs, says **Jane Martinson**

When asked why there were no women on his board of directors, one chairman of a listed company said: "It's not that we reject women, it's just that one tends to choose the chap one knows."

The appointment of directors from a network of contacts is underlined by a survey conducted by Mori, the market research company, into the role of non-executive directors. The survey, based on 305 responses from the UK's top 1,800 companies earlier this year, found that who you know rather than what you know can be the most common passport on to a board.

Two-thirds of the chairmen interviewed found their non-executives via business contacts while 59 per cent found them through personal contacts. This happened particularly among smaller companies.

The survey, commissioned by GHN, an executive coaching service, found that only a few of the larger companies have nomination committees. This is in spite of the fact that such bodies are a key feature of the Cadbury code on corporate governance.

This system of appointment through existing relationships has tended to favour men more than women. Some 86 per cent of the companies had no female non-executives.

Less than a fifth of the companies surveyed, almost all of which were listed, actively sought to recruit a woman. Of those companies which did so, some 39 per cent said the reason was because many of its customers were women, 29 per cent cited political or social desirability and 14 per cent said they wanted to benefit from "female intuition".

Elizabeth Vallance, a non-executive director of Norwich Union and chairman of St George's Healthcare Trust, says: "The concern about whether somebody would fit in with the board has in the past told against women, whether intentionally or otherwise. [Chairmen] worry that it may destroy the atmosphere with directors suddenly having to mind their ps and qs."

However, she believes that larger companies are increasingly taking women more seriously as they realise the commercial benefits of their presence. "There's not a woman on a board that is not there largely because of her experience and background," she adds. "And there's certainly a realisation that women have come of age."

The issue of the role of non-executives is to be discussed at a forum of leading businessmen and women at the Royal Society of Arts this week.

The survey findings, published in advance of the meeting, also found that non-executives are wanted for their experience, ability to challenge and inject new ideas, and to police the board.

Sir Michael Heron, chairman of the Post Office, is to argue at the forum that non-executives should be both "policeman and pal" and that "non-execs are the element of common sense in the business".

Ms Vallance believes that the issue about female non-executives is just one element of the current debate, which has been prompted by the growing interest in corporate governance.

"The role of the non-executive is in a state of flux," she says. "It's not so much that chairmen don't quite know what they want from a female non-executive. They're not sure how to use non-execs in a really constructive way generally."

The role of the non-executive director, GHN 15, Welbeck ST, London W1M 7PF. Tel 0171 460 5400

Getting to the truth behind the one-stop shop

John Kay

All kinds of businesses have aspirations to be a one-stop shop. When companies use this phrase, they mean that they hope to be the only retailer the customer needs for some range of goods and services. Telecommunications companies, investment banks, law groups all want to be one-stop shops. And when I set up London Economics, I wrote in our business plan that we would be a one-stop shop: all the economics you might need or want, would be available from a single source.

The archetype of the one-stop shop is the supermarket. Every week you come out of the store with all the groceries you need. Many people have 50 or more items in their trolleys. But few of us buy clothes or furniture that way. Mostly, you buy single items of clothes and furniture, and the goods in your wardrobes or on your floors will have come from many different suppliers. While there is Marks and Spencer and Ikea, there are also shops for example that sell only underwear or only carpets.

And there is no clear trend to or from one-stop shopping. Along with the growth of M&S and Ikea has come the emergence of shops that sell nothing but socks and stores that sell nothing but sofas. Retail experts will tell you, in a sense correctly, that there is a trend both to one-stop shopping and to speciality retailing. Of course, the real trend is that good shops, both general and specialist, are taking sales from bad shops, both general and specialist.

So what do you buy from a one-stop shop, and what not? If we understood the answer to that question in the retail sector, we would know more generally which business strategies aimed at one-stop shopping make sense – and which are simply the prelude to costly and unnecessary acquisitions.

It is easy enough to see what distinguishes groceries from clothing and furniture. Groceries are less differentiated and have low unit value. The apples in Sainsbury's are similar to the apples in Tesco, and it is simply not worth your while visiting all the supermarkets to pick the best buys from each: the costs of comparative shopping exceed any likely savings. Clothing and furniture are expensive enough to make comparison worthwhile and so differentiated that no shop, however extensive, could stock more than a small proportion of the range of imaginable products.

Supermarkets are not the only kind of one-stop shop. There are some shops where, although you buy only one item at a time, you tend to buy all your items from the same store. Your doctor's surgery is a shop like that, although in other countries you will often take your ear to an ear doctor and your feet to a chiropodist. And even if you visit a particular travel agency only once, you will probably choose one which stocks a wide range of holidays and sells most forms of transport.

Different factors are at work here. You believe that the knowledge of you and your ear which the doctor gained when you consulted him about that will help him make a good diagnosis of what is wrong with your feet.

And you don't know, when you walk into the travel agency, which tour you want to take or which airline has the most convenient flight. So only a company that stocks a wide range can provide the advice you need.

One-stop shops are appropriate for low-value, undifferentiated goods; for groups of commodities where the same knowledge of the customer is relevant to many different items in the group

So one-stop shops are appropriate for low-value, undifferentiated goods; for groups of commodities where the same knowledge of the customer is relevant to many different items in the group; and for groups of commodities where the consumer is not very well informed about his or her requirements.

Not many goods fit all of these criteria - one-stop shops selling confectionery, newspapers and tobacco have a different rationale from the one-stop shops which sell all the spectacles you might require. And one-stop shops are unlikely to be successful with differentiated goods of high value, where successive purchases are largely independent of each other; and where customers know what they want. Again, few products have all these characteristics; so customers want one-stop bookshops but do not mind the absence of one-stop car showrooms.

But as you list these factors, it is difficult to make a strong case for the emergence of a one-stop shop in telecommunications. Perhaps consumer ignorance points in that direction, but this will diminish. It is common, indeed, for one-stop shopping to give way to speciality retailing as the market for complex products matures; look at what has happened in the computer and information technology industries. The increasing transactions orientation of investment banking suggests a move away from one-stop shopping; the industry is becoming less like the family doctor and more like a furniture store.

And while a private individual might well want a one-stop legal services shop, it is harder to believe a large corporation will. The product is not cheap, is differentiated, and you know whether you want a libel writ or a cross-border acquisition when you hire the relevant lawyer. Retail financial services probably do lend themselves to one-stop shopping (although the unit value of the transaction is large); but it is hard to see much advantage in a one-stop shop for utility retailing.

And what of London Economics? My thinking was that consumers mostly did not know what economics they wanted, or that they needed it at all. Maybe this article does something to offset that.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

Lucy Kellaway is on maternity leave.

BUSINESS EDUCATION

Tale of two cities' schools

New York's Stern and London's City schools reflect their financial communities, writes Della Bradshaw

In the heart of Manhattan, just a short walk away from Wall Street, the Stern school at New York University has built itself a formidable reputation as a business school for the financial sector. But it is a reputation with which today's dean, George Daly, is unhappy.

Professor Daly's remit when he was brought into the school in 1993 was to build Stern into a well-rounded business school which would top the business school rankings in marketing and management as well as finance.

Not surprisingly, he faced a barrage of opposition from the incumbent finance faculty, many of whom objected to the speed of change. "I would call myself tenacious," says Prof Daly. "My critics would call me stubborn."

His tenacity has paid off. The opposition has now subsided and faculty have bought into the ensuing success. Yet Prof Daly still recalls the time of the reorganisation – there was a 75 per cent turnover in non-academic staff – as the "toughest, loneliest experience of my life".

Prof Daly has received widespread acknowledgement for bringing in more money to the school – 20 new endowed chairs have nearly doubled the total. And he has persuaded the faculty to submit to professional outside evaluation.

He has also started a programme of executive courses that he believes is long overdue. "I think executive education is important not as a profit centre but as a relevance check, for staying in touch with the community for which we prepare our students," he says. "We are sitting in the world's largest education market and we hadn't done anything about it."

Other moves have been more contentious. Scholarships to the school used to be awarded to US citizens on the grounds of need. Now they are offered to the brightest students, whatever their nationality. "That's the way meritocracies work and we believe the school has to become more meritocratic," says Prof Daly. Students are being aggressively recruited outside, as well as inside, the US.

Whatever the objections in principle, few could object to the results. The average score on the GMAT test (the business school entrance exam) has risen by 60 points, to 650.

Still rumbling below the surface is disquiet over whether Prof Daly will have to cut the size of the finance faculty to achieve his remit of a well-rounded school. He acknowledges that he is not planning to increase the size of the faculty overall and "if we want to do more of something we will have to do less of something", he says. The size of the MBA programme will be the first thing to be reduced. However, there are hopes that the business school will soon be given more teaching space on the NYU campus.

Prof Daly is confident the school will be able to build up its faculty in areas outside finance and so enable Stern to "play in the big league". He questions the perceived wisdom that Stern grew up as a great finance centre because of its proximity to Wall Street. That, he says, is pure "myth".

"If proximity to expertise created greatness we'd have a great marketing and a great accounting department too," he insists. "We developed a great finance department because we had a great person in charge of it."

Like neighbouring dean Meyer Feldberg at Columbia business school, Prof Daly believes one of the biggest selling points of the Stern school, and one that has so far been underplayed, is the excitement of living and studying in New York. The school, he points out, is just a short walk away from Broadway and some of the world's best restaurants and jazz clubs, as well as Wall Street. "If I were God and I had a business school, this is where I'd put it. We've got to take advantage of that."

When Leslie Hannah became dean of London's City university business school last month, virtually the first thing he did was get on an aeroplane to New York. His destination was the Stern school.

The two schools have an enormous affinity: both Stern and City have built their reputations on their close links with local financial communities and both have become noted for the very high class of students they attract to their part-time evening MBA courses. Until recently neither had been to the executive education market.

But although Prof Hannah ranks his evening MBA course as the best in the UK, he recognises that City has a long way to go before it can compete on the international stage as Stern does. "We can't say we're competing with Insead or London business school on quality, while Stern can say it is competing with Harvard."

Formerly pro-director (deputy director) of the London School of Economics, and before that a faculty member at Oxford and Cambridge universities, Harvard business school and Hitotsubashi university in Tokyo, Prof Hannah acknowledges that City has both "some really world-class operations" and some "very shoddy bits".

At the top of the list of "shoddy bits" is the building, in London's Barbican complex, the near-impenetrable concrete complex of theatres, appartments and restaurants built largely in the 1970s.

The big advantage of the site is that it is within walking distance of the City of London's financial institutions. The disadvantage is that the school is housed in a building that was originally designed as residential appartments – the lecture rooms are several such appartments with the interior walls knocked through.

One of Prof Hannah's first tasks will be to raise about £10m to build a new school just yards away from the existing one, on a piece of land owned by the university and presently housing a hall of residence. Prof Hannah sees the move as the perfect opportunity for a named gift. "We're looking for our Leonard N. Stern," he says. "Your name on the front of a business school in the world's financial centre is really an attractive proposition."

Further, Prof Hannah is looking for more named gifts to help build up departments and research centres in the school – in the way that Stern has the Salomon Centre.

Prof Hannah has yet to find out whether the numerous friends, alumni and local companies that support City will do so with cash as well as goodwill. "If they don't, London will suffer," says Prof Hannah. "London needs two good business schools like New York has."

The "world-class" operations, as described by Prof Hannah, include many of the specialist masters degrees – the MSc in shipping, trade and finance, for example. ("Any of the world's shipping magnates would send his son on this course," he says.) He also lists the undergraduate programmes and the masters in mathematical trading and finance, which started just a year ago. It fielded more than 3,000 inquiries for just 25 places and two-thirds of the students have first-class degrees or doctorates in mathematics.

This course was developed in conjunction with banks and other institutions. Prof Hannah believes this responsiveness to its core market is central to the way the school operates and will help City in its fund-raising. The part-time evening MBA course, which is peopled by international bankers, takes in a new cohort every few months. Bankers on a two or three-year assignment, he points out, cannot wait until the following autumn to begin a two-year course.

While City plans to emulate Stern in many ways, in its most central strategy it differs. It does not plan to expand away from its core constituency, the financial sector. "We're aiming to be the bread and butter supplier to the City," concludes Prof Hannah.

That said, he hopes to double the size of the school in the next 10 years.

NEWS FROM
CAMPUS

Warwick faces double test

Warwick business school will become the first UK business school to be assessed by the US accreditation body, the AACSB. The AACSB has already accredited one European school, Essec, in Paris, and the Rotterdam school of management is also participating in the AACSB's pilot project to accredit schools outside the US and Canada.

Warwick is expected to get the seal of approval in the second half of 1998 at the same time as the UK accreditation body, Amba, re-accredits Warwick's four MBA programmes. (Unlike Amba, the AACSB accredits whole schools, not individual courses.)

The accreditation will be a simultaneous (parallel) process, rather than a joint project, says Robert Owen, manager of accreditation services at Amba. Each body will use its own criteria for assessment and they will produce individual reports on the school or courses.

However, Warwick will be able to streamline the bureaucracy involved in accreditation by combining its presentations to the two organisations.
Warwick: www.wbs.warwick.ac.uk

From funny to business

Barcelona's most famous business school, Iese, has appointed a new director for its International Senior Executives Programmes (ISEPs) – from Disneyland in Paris.

Jibes about Mickey Mouse organisations aside, Rory Simpson, an Iese graduate and former strategic analyst at Disneyland Paris, intends to develop the school's range of executive programmes.

The ISEPs are run jointly by Iese and other leading business schools, notably Harvard, Stanford and Michigan. The next on the agenda will be the Iese/Stanford programme *Strategic Management of Technology-based Companies*, for technology-intensive businesses. The two-week programme will run from November 23 in Barcelona.
Iese: www.iese.es/

Workplace of the future

Technological innovation, re-engineering, downsizing .... over the past decade all have re-shaped the way we view the workplace. But what changes will the next decade bring for employers and employees?

The university of Pittsburgh's Katz school of business and Carnegie Mellon's Heinz school are jointly sponsoring a two-day event to address such issues. The *Employment in the 21st Century* conference will take place on Pittsburgh's Oakland campus From October 23. The plenary session, which will be attended by chief executives, labour leaders and academics, is free and open to the public.
Pittsburgh: US, 412 648 2250

Blackstone to address ABS

Britain's business school trade body, the Association of Business Schools, is holding its annual conference in Grantham, Lincolnshire, on October 21. The keynote speaker will be Baroness Tessa Blackstone, the education minister.
ABS: www.leeds.ac.uk/bes/abs/abshome.htm

Information for News from Campus should be sent to
Della Bradshaw, FT, Number One Southwark Bridge, London SE1 9HL
Tel: 44 171 873 4673 Fax: 44 171 873 3950

BUSINESS TRAVEL

Travel Update · Roger Bray

FastTrain delays

The start of the first phase of London's rapid rail link with Heathrow Airport has been delayed. Its operators say safety checks are taking longer than expected but insist the hold-up has nothing to do with last month's rail crash on the same track. The service, which should have started this month, is unlikely to be running until mid-December. Called FastTrain, it is the forerunner of the £440m Heathrow Express link with Paddington, which is scheduled to open next June. Trains will stop at a station on the edge of the airport where passengers will catch connecting shuttle buses. The journey will take 30 minutes to Terminal's One, Two and Three, and 35 minutes to Terminal Four. When the full service starts, trains will run straight to the terminals in 16 minutes.

Paris plan

American Airlines' hopes of launching non-stop flights between Los Angeles and Paris next year have been given a lift following unexpectedly positive negotiations between the French and US governments over an air agreement. The airline plans to start daily services on March 2, using three-class Boeing 767-300 twinjets, but still needs an official green light from France. It is three years since a US carrier last flew the route.

Net reservations

The Japan Hotel Association has opened a web site (http://www.j-hotel.or.jp) covering nearly 450 properties, providing maps and information in English and Japanese on facilities such as restaurants and bars. Visitors can call up a list of suitable hotels by tapping in the price they want to pay and the kind of hotel and room they require. The association says it has seen a sharp increase in the number of guests booking via the internet. The new site offers links to other sites set up by individual hotels or chains, some of which offer on-line reservations.

Jets for high-flyers

Dramatic growth in demand for travel by private jet is reported by corporate charter broker Air London. The firm says business increased by 50 per cent in the third quarter. Tony Mack, Air London's executive chairman, says: "We are a mature company in the market but never before have we seen such dramatic growth in the use of corporate aircraft as an alternative to scheduled airline travel." He adds that this is good news for the business aviation industry, as European executives realise that "a private aircraft is not an extravagance but an important business tool".

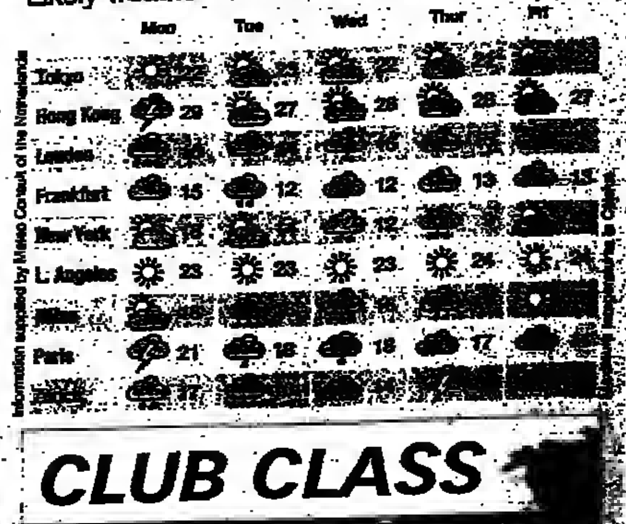
Training trips

Jersey Airport has opened a boardroom and purpose-built training centre for business visitors in a hurry. Part of a £23m development, they accommodate up to 12 and 24 people respectively. Both have televisions, videos and overhead projectors, the latter has desks for trainees. Recent research showed 17 per cent of business travellers to the island made day trips.

Moving on up

Qantas flights will switch to London Heathrow's Terminal Four from next Sunday. The move will improve transfer for passengers using services by the airline's code share partner, British Airways.

Likely weather in the leading business centres



Nigel Page recommends a trip to the UAE for both business and pleasure

A journey to the Middle East

Today's business traveller to the United Arab Emirates will probably spend time in Abu Dhabi or Dubai, the two most prosperous and heavily populated emirates, where reinvention is most evident.

In Dubai, the UAE's commercial capital and regional trading hub, futuristic buildings dot a skyline fast taking shape as a sprawling, but well-planned, metropolis. The sail-shaped Chicago Beach Hotel, once complete, will have the tallest tower in the Middle East, along with an offshore annexe, built out in the Gulf.

In neighbouring Abu Dhabi, the UAE's federal capital and political centre with a population of 975,000, tha process of change is more sedate. The Abu Dhabi government has traditionally been more cautious in its outlook. The city is less dynamic, although the sweep of skyscrapers along the Corniche underlines the Emirate's immense wealth.

Abu Dhabi's conservatism is, at least in part, attributable to its substantial oil reserves – 130 years' worth. Change is assimilated slowly and the city has only recently tolerated a climate of financial enterprise, unleashing a process of privatisation that has met with great local enthusiasm.

The UAE prides itself on political stability and predictability in a region better known for its extreme volatility. Crime is practically non-existent and the country's geographical location, straddling the time-zones of Europe and Asia Pacific, makes it an attractive centre for international business.

Both cities are outwardly similar to any other global business destination. Sleek high rises and five-star hotels abound and, especially in Dubai, conspicuous consumption is a way of life.

Getting around is straightforward enough – taxis are plentiful and cheap and English is widely understood, if not spoken. Gridlock has yet to be a real problem in either city.

Even in Dubai, where the Creek separates the two main business districts (Deira and Bur Dubai), journey times between the two are unlikely to exceed 20 minutes. This means that hotel location is not too much of an issue. Hilton has seven hotels across the UAE, including two in Dubai – one situated opposite the World Trade Centre and the Hilton Beach Club on the Gulf.

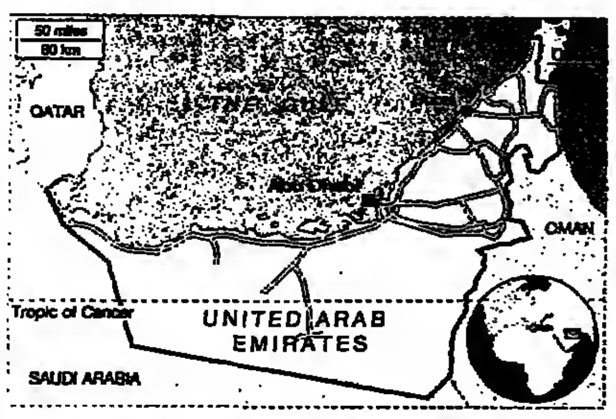
The latter is indicative of Dubai's successful drive to attract tourists, as well as business visitors. Houssam Tantawi, Hilton's area director of sales and marketing, points out that many of the Beach Club's visitors are businessmen with families in tow.

Abu Dhabi is following suit – also focusing on business leisure to attract short-term visitors passing through the Gulf on their way to, or from, Asia.

Trips should be planned around the heat, which in July and August combines with high humidity to create a soup-like atmosphere – walking can feel more like swimming. Many UAE nationals, together with much of the country's substantial expatriate community, escape during the summer and flights out of the cities are very busy.

Consequently the UAE's annual business cycle has been compressed into eight or nine months. Although in recent years it has been extending, as western influence and involvement demands a more regular calendar, it can still be very difficult to get things done during high summer.

Business protocol is important – but not obsessive. Regular, personal contact with local business partners is essential and face-to-face negotiations are expected and important. The concept of trust is fundamental to business dealings.



Accommodation: First class hotels abound – although availability may be a problem in Abu Dhabi during the International Defence Exhibition, and in Dubai during the Gold Cup and the biannual Dubai Air Show. A 15 per cent service charge is added to all bills. Corporate rates at the luxurious Hilton Beach Club are 2,000 dirhams ($545) a night and 650 dirhams at the Abu Dhabi Hilton. Other top hotels include the Royal Abjar, the Forte Grand and the Hyatt Regency in Dubai and the Continental and Le Meridien in Abu Dhabi.

Health: Hygiene standards are excellent in all five-star hotels. Outside those, the usual precautions apply, such as drinking bottled water. There are no mandatory immunisation requirements. Hospitals in Dubai rival those in the west.

Getting around: Taxis are cheap and plentiful – average fare around town in Dubai seldom exceed 18 dirhams, and in Abu Dhabi they are slightly cheaper (and metered). Expect to pay more for taxis outside hotels. Tipping is not expected. It takes about two hours to travel by road from Dubai to Abu Dhabi. Both airports are easily accessible (30 minutes drive from downtown).

Working hours: Working hours vary between the emirates, and change with the seasons. Remember that the weekend starts on Thursday afternoon and extends to Saturday.

The final departure

Amon Cohen on the end of a Berlin-Heathrow service

Lufthansa is to axe its Berlin-London Heathrow route from next week.

The withdrawal by Lufthansa leaves British Airways as the only airline flying between London and Berlin. Passengers who had booked flights on the route on or after October 26 will be transferred to a BA flight or given the option of taking an indirect route or flying to another airport.

The German government is expected to move to Berlin in the second half of 1999. However, Lufthansa says it has consistently lost money since launching the London-Berlin route in 1992.

"This was not a decision taken lightly," says the airline. "It wasn't a small amount of money we were losing. Part of the reason was that we had poor slot times at London." The first Lufthansa flight from Heathrow reaches Berlin at 12.45pm, whereas the first BA flight arrives at 11.25am.

Kyle Davis, American Express European purchasing chief, says that handing a monopoly to BA on the route could put up the cost of business travel between London and Berlin.

"It is not going to change published fares on the route. Generally, those remain similar regardless of whether there are one or two carriers and only fall when there are three carriers," he says.

"But this will have a large effect on the discounted fares that BA negotiates with corporate clients. It will be tougher for UK companies, while German companies will have to decide whether to send their travellers non-stop from Berlin with BA or via Frankfurt with Lufthansa."

German companies that switch to BA could suffer in one of two ways. They could be paying higher fares than under their negotiated discounts with Lufthansa. And companies that are particularly heavy users of the Berlin-London route could find that they are no longer reaching agreed volume levels with Lufthansa to trigger negotiated rebates.

Some companies will therefore have to choose between saving money or inconveniencing travellers by sending them to London indirectly.

Mr Davis attributes the withdrawal of the service to the recent privatisation of Lufthansa. Like many airlines, it has developed a hub and spoke system, concentrating on feeding flights to Frankfurt and Munich, from which it operates more profitable long-haul services.

Simple point-to-point routes have been put under review and one of the slots from Heathrow-Berlin will be used to increase London-Frankfurt flights from six to seven a day.

Low-cost carrier Debonair says it is considering launching a Luton-Berlin service to fill the void left by Lufthansa's withdrawal.

Track brings express benefit

The travel time by high-speed train between Brussels and Paris is to be cut by nearly 30 per cent – to 85 minutes from 118 minutes – from December 14, according to Belgian National Railways.

Inauguration of the high-speed track on that date will allow the Thalys train to reach speeds of 300km an hour.

On the same day the journey time of Eurostar between Brussels and London will also be cut to 160 minutes from 195 minutes.

The Brussels-London Eurostar service has carried slightly more than 1m passengers so far this year, compared with 960,000 passengers in 1996 when the service was affected by the fire in the Channel tunnel in November.

هكذا من الأصل

ARTS

OPENINGS

LONDON
English National Opera's new production of Janáček's *From the House of the Dead*, opening tonight at the Coliseum, is conducted by Paul Daniel and staged by Tim Albery. It is paired with Mark-Anthony Turnage's *Twice Through the Heart*.

The first major exhibition outside Sweden on the work of Carl and Karin Larsson opens at the Victoria and Albert Museum on Thursday. It focuses on the famous house they created at Sundborn, and its extraordinary impact on Swedish and international design over the past century.

Maggie Smith (left) and Eileen Atkins lead the new West End production of Edward Albee's *A Delicate Balance*, opening tomorrow at the Aldwych Theatre, directed by Anthony Page. Smith enjoyed great success in Albee's latest play, *Three Tall Women* in 1994 and 1995; *A Delicate Balance* was recently well received in Page's staging on Broadway.

Other West End openings include *She Knows, You Know!*, Jean Ferguson's one-woman celebration of the legendary comedienne Hilda Baker, opening at the Vaudeville Theatre tonight. *Scissor Happy*, a comedy whodunnit, with Neil Mullarkey, Lee Simpson, and Jim Sweeney, opens at the Duchess Theatre tomorrow.

BASLE
The Fondation Beyeler, in the suburb of Riehen, is the latest addition to Basle's collection of museums. Designed by the Italian architect Renzo Piano, the building houses paintings and sculptures bequeathed by two Swiss art collectors, including masterworks by Cézanne, Van Gogh, Picasso, Mondrian, Kandinsky and Klee. Alongside the permanent collection, there is an inaugural exhibition devoted to Jasper Johns. The museum opens tomorrow.

CLEVELAND
A unique exhibition of central Asian and Chinese tapestries and silks (left), ranging from the 8th to the 15th centuries, goes on show at the Museum of Art on Sunday. After Cleveland, the exhibition will travel to only one other venue, the Metropolitan Museum in New York.

NEW YORK
Tomorrow and Wednesday, Carnegie Hall is showcasing the work of Italian composer Luciano Berio (right). In addition to attending various workshops, Berio will conduct the US premiere of *Ofanim*, a choral work with biblical texts.

The Metropolitan Museum is displaying 48 rarely or never-exhibited pages from Jackson Pollock's three earliest sketchbooks, dating from 1937-41. The exhibition opens tomorrow.

BRUSSELS
The latest exhibition at the Palais des Beaux-Arts takes the form of a tour of the artistic landscape of Flanders across four centuries. Beginning with Delft tapestries, it moves through the works of Rubens and Brueghel to Flemish expressionism and surrealism. The show opens on Friday.

CHICAGO
"Renoir's Portraits" at the Art Institute of Chicago features some of the French Impressionist's most famous paintings (right). Comprising 65 works, the exhibition opens tomorrow and will move to Fort Worth's Kimbell Art Museum in February.

Sounds of the future

Andrew Clark talks to the Philharmonia's new principal conductor, Christoph von Dohnányi

Jazz, John Adams, Michael Jackson: not the kind of music you expect a cerebral German conductor to enjoy or endorse. But within minutes of engaging in conversation about the Philharmonia Orchestra, which he joins as principal conductor tomorrow in London, Christoph von Dohnányi is advocating them all.

"I think jazz was probably the most exciting movement in music this century," he declares. Hardly a startling revelation, but coming from one of the world's most persuasive advocates of serial and post-serial music, it is unexpected. So is his assertion that "John Adams has something to say – *and* he fills houses." There speaks the New World convert, the European who confined himself to German classics and moderns until he was whisked off in 1984 to Cleveland, where, as music director of one of America's "big five" orchestras, he added Ives, Rouse, Adams and Glass to his repertoire.

"I have to admit that musically-speaking, the 18th and 19th centuries were more creative than the 20th century", Dohnányi continues, "but sometimes in history you get a dip. There are times when entertainment is more important, and this century has seen a huge development in music for entertainment, from jazz to Michael Jackson. We should take this phenomenon seriously, and deal with it."

That sounds like the father of five children, all of whom apparently prefer hearing their parents (Dohnányi and the soprano Anja Silja) in Weill and *Wozzeck* than in Wagner. And now comes the Dohnányi punch-line, the artistic agenda which has informed his work from his earliest professional days: "It's time we regained the present and the future in music. It's wonderful to have the past, but it's also very dangerous. You have to realise that in previous centuries, music was very seldom concerned with looking backwards. From now to the future – that's music for me."

Which makes Dohnányi's first three programmes with the Philharmonia slightly mystifying: acres of Richard Strauss, plus Mendelssohn and Beethoven. On closer inspection, Dohnányi is doing no more than he did when he arrived at Cleveland. "I want to establish a certain following," he says. "Once you guarantee your public that they are getting their music, you can show them they're ready for different programming. If they trust you in Brahms, they will trust you in Schoenberg."

Dohnányi has already conducted Schoenberg in London, to considerable acclaim. His ultimate goal is to reach beyond the Second Viennese School – to a broad spread of 20th-century repertoire, including "entertainment music". And the way to sell it, he believes, is to involve the great singers and instrumentalists of our time. He also wants to target young audiences by developing a film music project; he talks of commissioning a young stage director, a writer and composer to create a 20-minute film, the live accompaniment for which he would conduct in a programme featuring Ligeti's *Atmosphères* and other film-related scores. "London is the place for this," he says, "and as far as a sense for the future is concerned, the South Bank Centre is the most up-to-date institution."

Christoph von Dohnányi: 'if they trust you in Brahms, they will trust you in Schoenberg'

The advantages for the Philharmonia, and for London audiences, are clear. Dohnányi, 68, is a German thoroughbred, a musician of unmistakable authority who has livened up every institution he has headed in a long and distinguished career. He was *Generalmusikdirektor* in Lübeck before he was 30; as intendant in Frankfurt and later Hamburg, he championed the avant-garde. In Cleveland he has upheld the tradition for clarity and excellence established by George Szell.

Can he do the same with Klemperer's old orchestra in London? Although the Philharmonia has been without a chief conductor since Giuseppe Sinopoli's unlamented exit in 1994, it is in palpably good shape. Of the four independent London orchestras, it has the most adventurous programmes – which makes it fertile ground for a man of Dohnányi's interests. He brings prestige, a formidable intellect and a very organised type of musicianship. But he is a demanding boss, with a sharp tongue. Art comes first; everything else is of secondary importance.

Both sides have entered the relationship carefully. As principal conductor, Dohnányi will have no authority beyond his own concerts. He took a long time to persuade, and his contract is for two years only: he wants to see if the Philharmonia can deliver his agenda. They have plenty of time to play themselves in: after three London concerts over the next 10 days, Dohnányi takes them across the channel for a new production of *Hänsel und Gretel* at the Châtelet in Paris. Dohnányi – who, surprisingly, has never conducted Humperdinck's opera – sees it "as a way of getting to know the orchestra, of developing sound and maybe moving in the direction of Wagner."

But what does Dohnányi gain from tying himself to an orchestra with far less financial security than any institution he has led? After 14 years in Cleveland, he feels it is time to re-integrate himself in European musical life. He already has a foothold in France, as artistic adviser to the Orchestra de Paris. His dislike of the rota system in German orchestras has made him unpopular there, and he is tired of guest-conducting. "You meet lots of nice orchestras, but you never really create a relationship. My moral priority is keeping the Cleveland Orchestra in best shape until they find a successor. Beyond that, I want to create a musical home in London, to get closer to the Philharmonia, and we'll see what comes of it."

Not everything is plain sailing. His half-complete Decca recording of *The Ring* has come to a halt. He was booed this summer in Salzburg. His private life is "a mess": he blames his recent split with Silja on his absorption in work. What could have been the crown of his career – the directorship of the Vienna State Opera, after Eberhard Waechter's sudden death in 1992 – was denied him by political interference. And wherever he goes, his interpretations are criticised for appealing more to the head than to the heart. So does Dohnányi recognise in himself the personification of unsentimental *sang-froid*?

True to form, he replies with the perfect argument. "Don't make it too easy for feelings to call themselves feelings. If you control them, you have a chance to reach the truly great feelings. Knowing how composition functions, it's clear that music comes from somewhere between head and heart. If the head doesn't control the heart, it's kitsch. If the heart doesn't control the head, it's theory. I cannot think of any great artist who didn't have a very decisive knowledge of what he was doing. Beethoven worked for 20 years on *Freude, schöner Götterfunken* [in the finale of the Ninth Symphony]: it didn't come without thinking, but it certainly doesn't mean anything without feeling."

Christoph von Dohnányi conducts the Philharmonia Orchestra at the Royal Festival Hall, London, tomorrow, on Saturday and next Wednesday (0171-960 4242). *Hönsel und Gretel* opens in Paris on November 18 (01-4028 2840).

Theatre/Ian Shuttleworth

One affair leads to another

I believe it was comedian Eddie Izzard who once speculated that the secret of Edward Fox's magnificent drawl is that he has a wedge of muscle tissue stapled to the inside of his cheek. At any rate, Fox's voice was surely fashioned by the Almighty in the knowledge that one day he would play Harold Macmillan, an opportunity finally afforded him in Hugh Whitemore's *A Letter Of Resignation*.

Set primarily in the summer of 1963, Whitemore's main narrative is that of the premier receiving said letter from John Profumo whilst weekending at an unnamed Scottish castle. After a lengthy briefing with his PPS and an MI5 agent, Macmillan then falls into a reverie which transports him back over a third of a century to the moment at which his wife Dorothy admitted her affair with Bob Boothby.

Following hard on the heels of (although mining an entirely different temperamental vein from) Snoo Wilson's *HRH*, the play implicitly raises questions about the use of "faction" as a theatrical device.

Whitemore's thesis – plausible but naturally unconfirmed, as such theses tend to be – is that Macmillan, having lived for decades with the burden of his wife's adultery, was too timid to pay the necessary direct attention to the Profumo affair in its early stages, accepting the war minister's initial denials of impropriety at face value.

Fox's "Supermac" is rather too doddering, the voice excessively high and febrile, but he counteracts this with a ramrod-backed posture; as his own sharper features combine with a fine makeup job (right down to the eyebrows which he habitually strokes), he bears an uncanny resemblance to the late Willie Rushton's drawings of Macmillan.

Whitemore's script overplays Macmillan's affected patrician antiquarianism, with the principal reminders that this was an act coming in the form of sporadic remarks from others to that effect. The author also goes into rather too much detail in the first-act briefing, the secretary and the spook serving up a succession of cues for reflection or anecdote from the PM.

The chain of loosely connected reminiscences at the end of the play, although far less relevant to the narrative, is more satisfying because it seems less forced. A clutch of philosophical discussions about religion and morality serve to give intellectual heft to the piece, albeit that they pop up as unbidden as a Jehovah's Witness upon the doorstep.

The initial air (possibly deliberate upon the part of director Christopher Morahan) of a stilted country-house play is dispelled by the entrance of Macmillan and Clare Higgins's excellent Lady Dorothy – all easy aristocratic amiability, making small talk with casual remarks such as, "I gather you're a spy, Mr. Ritchie," but using the appearance of directness as a defence when she confesses her affair.

Yet, for all the other factual, fictional or speculative ingredients, the play's main appeal is (to quote a 1980 punk single about Edward Fox himself) "the uniquely English charm of old houndstooth jackets" of which Macmillan was a grand master.

Comedy Theatre, London SW1 (0171 369 1731).

Alastair Muir

Edward Fox: born to play Harold Macmillan

INTERNATIONAL ARTS GUIDE

AMSTERDAM

EXHIBITIONS
Van Gogh Museum
Tel: 31-20-570 5200
Auguste Préault (1809-1879): Romanticism in Bronze. 75 sculptures and medallions by the nonconformist whose works, during his lifetime, were regularly rejected by the Salon jury. This display includes important works produced during the 1830s and 1840s; to Jan 11

OPERA
Het Muziektheater
Tel: 31-20-551 8911
La Traviata: by Verdi. Netherlands Opera revival of a staging by Alfred Kirchner, conducted by Ralf Weikert; Oct 22

BALTIMORE

EXHIBITIONS
Baltimore Museum of Art
Tel: 1-410-396 6310
A Grand Design: The Art of the Victoria and Albert Museum. First stop of a five-city North American tour of selected objects from the V&A's collection; to Jan 18

BERLIN

CONCERTS
Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Jerry Semkow in works by Glinka, Dvorák and Prokofiev. With violin soloist Alyssa Park; Oct 23, 24

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Der Fliegende Holländer: by Wagner. Conducted by Christian Thielemann in a staging by Götz Friedrich; Oct 24

BILBAO

EXHIBITION
Guggenheim Museum Bilbao
Tel: 34-4-423 2799
The Guggenheim Museums and the Art of This Century: the new museum's inaugural exhibition features more than 300 works of modern and contemporary art from the Guggenheim's collections

BRUSSELS

OPERA
La Monnaie Tel: 32-2-229 1211
● La Stellidaura Vendicante: by Francesco Provenzale. New production directed by Philippe Sireuil and conducted by Alessandro de Marchi; Oct 21, 23
● Otello: by Verdi. New production conducted by Antonio Pappano in a staging by Willy Decker. Cast includes Susan Chilcott as Desdemona; Oct 21

CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
● Idomeneo: by Mozart. Conducted by John Nelson in a staging by John Copley; Oct 22
● Nabucco: by Verdi. New production staged by Elijah Moshinsky and conducted by Bruno Bartoletti. Cast includes Maria Guleghina and Samuel Ramey; Oct 21, 24
● Peter Grimes: by Brittan. Conducted by Mark Elder, making his Lyric Opera debut, in a staging by John Copley. Ben Heppner sings the title role; Oct 20

LONDON

CONCERTS
Barbican Centre
Tel: 44-171-638 8891
London Symphony Orchestra: conducted by André Previn in a programme of works by William Walton. With violin soloist Alexander Barantschik, viola Paul Silverthorne and cellist Tim Hugh; Oct 23

EXHIBITIONS
Tate Gallery
Tel: 44-171-887 8000
● Mondrian: Nature to Abstraction – selection of 60 works loaned by the Gemeentemuseum in the Hague; to Nov 30
● The Age of Rossetti, Burne-Jones and Watts: Symbolism in Britain 1860-1910. Works by British artists including the pre-Raphaelites Rossetti and Burne-Jones are presented alongside those of European contemporaries; to Jan 4

OPERA
London Coliseum
Tel: 44-171-632 8300
English National Opera: From the House of tha Dead, by Janáček. New production, conducted by Paul Daniel and staged by Tim Albery. The programme is completed by Twice Through the Heart, by Mark-Anthony Turnage; Oct 20, 23

Shaftesbury Theatre
Tel: 44-171-379 6657
The Royal Opera: Tha Merry Widow, by Franz Lehár, in a new translation by Jeremy Sams. New production by Graham Vick, with designs by Richard Hudson; Oct 23

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
Los Angeles Philharmonic: conducted by Esa-Pekka Salonen in works by Mozart and Beethoven, and the world premiere of a new work by Donatoni; Oct 23, 24

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
Prague Symphony Orchestra: conducted by Gaetano Delogu in works by Rossini, Brahms and Dvorák. With piano soloist Valéry Afanassiev; Oct 24

DANCE
Bayerische Staatsoper
Tel: 49-89-2185 1920
Bayerische Staatsballett: Swan Lake. Sets and costumes are by John Macfarlane; Oct 23

EXHIBITIONS
Haus der Kunst
Tel: 49-89-2185 1920
Ellsworth Kelly: retrospective of the American abstract painter and sculptor, b. 1923, now in his 70s and one of the most distinguished living artists. Organised with the Guggenheim Museum and previously seen in New York, Los Angeles and London; to Jan 18

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
● Die Zauberflöte: by Mozart. Conducted by Hans Drewanz in a staging by August Everding, with designs by Jürgen Rose; Oct 21
● The Love for Three Oranges: by Prokofiev. Conducted by Roberto Abbado, in a staging by Juri Ljubimow, with designs by David Borowskij; Oct 22, 24

NEW YORK

CONCERTS
Lincoln Center
Tel: 1-212-721 6500
New York Philharmonic: conducted by Neeme Järvi in works by Thomson, Tchaikovsky and Mendelssohn. With tenor Richard Clement and violin soloist Tasmin Little; Avery Fisher Hall; Oct 21

EXHIBITIONS
Museum of Modern Art
Tel: 1-212-708 9480
Achille Castiglioni: Design! First US retrospective of the Italian architect and designer; to Jan 6

OPERA
Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000
● Carmen: by Bizet. Revival of a production by Franco Zeffirelli; Oct 21
● Il Barbiere di Siviglia: by Rossini. Revival of a staging by John Cox; Oct 22
● La Cenerentola: by Rossini. Met Opera premiere. New production conducted by James Levine in a staging by Cesare Lievi, with designs by Maurizio Balò; Oct 20, 24

PARIS

CONCERTS
Salle Pleyel Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Iván Fischer in works by Schubert, Mozart and Bartok. With piano soloist Richard Goode; Oct 22

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● Aufstieg und Fall der Stadt Mahagonny: by Kurt Weill. Conducted by Jeffrey Tate in a production directed by Graham Vick; Oct 20, 23
● Turandot: by Puccini. New production by Francesca Zambello. Conducted by Fabio Luisi. With choreography by Alphonse Poulin and designs by Alison Chitty; Oct 21, 24

ZURICH

EXHIBITIONS
Kunsthaus Zurich
Tel: 41-1-251 6765
Arnold Böcklin, Giorgio da Chirico, Max Ernst: Voyage into the Unknown, comprising 130 paintings, collages and sketches; to Jan 18

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wava 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central European Time:

● **NBC/Super Channel**
07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

A deficit of trade praise

Japan is being unfairly criticised over the size of its surplus, says Louis Bacon

It is time the Japanese government or Wall Street's pundits gave the lie to the US administration's endless tirade about Japan's ballooning trade surplus – which is, in point of fact, the smallest of the G10 nations.

If one takes into account Japan's huge and expanding deficit in services – the largest in the world at more than $58bn annually – Japan's balance of trade in goods and services over the 12 months to June was a mere $33bn. Employing the same method that the US uses to calculate its own trade statistics, the Japanese trade surplus was 0.6 per cent of gross domestic product over the past 12 months.

By way of comparison, continental Europe had a goods and services trade surplus of about $227bn in the year to June 1997, the latest for which complete data are available. As a percentage of GDP, the continental European trade surplus, at 3.2 per cent, is more than five times that of Japan's.

The market's misunderstanding of the size of Japan's trade imbalance stems from a quirk in the way the figures are released. The data on the goods portion of the trade balance, where Japan has a surplus, is the first to be issued in the monthly customs-cleared trade report. The data on the massive services deficit, a full 60 per cent of the goods surplus, is not released until the following month.

This odd schedule did not matter years ago when trade in services was minuscule. But the services sector in Japan now accounts for more than 60 per cent of the total economy – only slightly less than in the US. In both countries, growth has been most vibrant in the services sector. Whether they buy a Big Mac and pay a royalty to McDonald's, purchase Microsoft's Windows 95, watch the latest Hollywood movie or arrange a contract with Goldman Sachs to issue bonds, the Japanese are contributing to the fastest-growing areas of the US economy.

Why do we not pay more heed to the Japanese services deficit – of which 44 per cent is with the US? Perhaps one reason why the true situation is obscured is because the data on the services deficit, when they are finally released, are subsumed into that political hot potato, the current account report. In short, the trade in goods and services is aggregated with the huge income from overseas investments to determine the Japanese current account balance, again overshadowing the service deficit.

The relative weights of the components have changed drastically in recent years. Going back to the current account's peak period (the 12 months to May 1993), 67 per cent of the surplus was derived from the balance on goods and services, with the remaining third coming from earnings on overseas investments. These relative weightings have now reversed, with the balance on overseas investment earnings representing 65 per cent of the current account surplus, against 35 per cent for goods and services. In short, the current account deficit has much more to do with an income surplus than a trada surplus.

This switch is testimony to Japan's success in opening its domestic markets to the world during the 1994-97 period – a process that reached 40 per cent year-on-year growth in import penetration in 1996. Monthly goods imports have risen by half since early 1994, the monthly services deficit growing by about 40 per cent. These figures contradict claims that Japan has done little to open her domestic market to imports.

That its income surplus is now double the trade balance itself is a case of the success of the past clouding the prosaic present.

Of course, the investment income portion of the current account does matter, since it has to be recycled. But it has little bearing on the relative trade positions between nations. Several years ago, the US changed its reporting of trade data to include the services component, after Wall Street's so-called economists had consistently failed to recognise the surplus in that area.

But do not expect Japan to follow the US example, however sensible the switch might prove. Japan, after all, was the only G7 country to report its politically contentious trade surpluses in depreciating dollars – a decision that led to inflated numbers, regardless of the underlying trade shifts.

This lack of logic was only matched when Japan ended the practice of reporting the surplus in dollars just when the dollar reversed course and began to appreciate, a trend that would have reduced the artificial bloating of the trade surplus.

Rarely does such a conspiracy – of Japanese bureaucratic ineptness, US administration cynicism and intellectual deficiencies among economists – misdirect financial relationships at such high levels. And the US's selective exploitation of Japan's trade position can only deter other trading partners from revealing potentially contentious data, just as the IMF has asked developing nations to produce more transparent data.

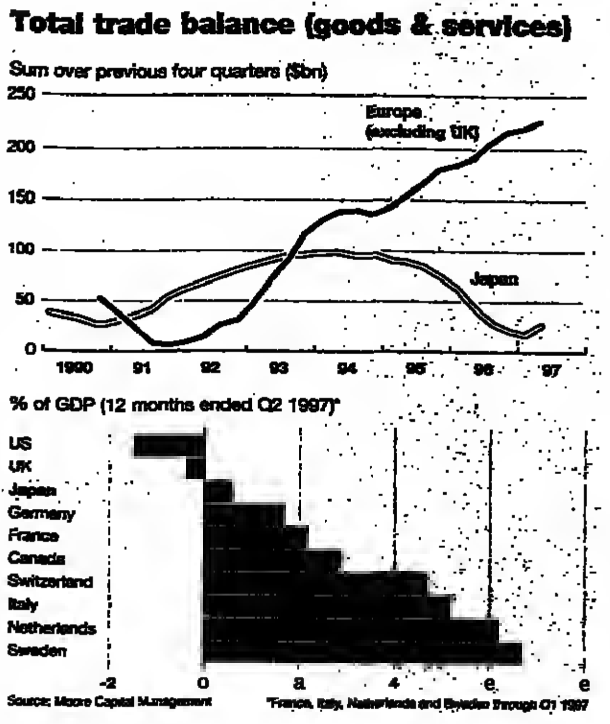
In spite of the deflationary effects of opening a cosseted domestic economy to global competition, Japan has, in tha midst of severe asset deflation, managed to reduce its trada surplus to the lowest of the G10. The US should praise, not pillory, Tokyo for this achievement.

When the US had an asset-deflation recession, it cut interest rates to a minimum and let the dollar depreciate. Japan has already cut interest rates effectively to zero, and has fiscally stimulated to the point where the primary fiscal deficit is larger than any in the G10. Yet the yen is still stronger relative to other currencies than during the height of the bubble period of 1989.

Why not let Japan follow the only policy option left, by gradually depreciating the yen at a time when its impact on world trade would be tolerable? The Asian currency crisis will reduce Japan's trade surplus and consequently render it even less relevant. It is one thing to beggar your neighbour; it is but quite another to kick him when he is down.

The author is Moore Capital Management's chief executive

Total trade balance (goods & services)



Source: Moore Capital Management *France, Italy, Netherlands and Sweden through Q1 1997

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Intellectual copyright and books on the net

From Mr Clive Bradley.

Sir, Contrary to what is stated in your article on internet bookselling ("'Sleepy' booksellers get wake up call", October 10), the Publishers Association is advised that UK publishers holding exclusive rights to the UK for a book title would hava recourse against a US bookseller selling copies of editions separately licensed for the US to customers in the UK.

As your article makes clear, this is an issue of great importance to all licensees of intellectual property rights - not just copyrights owned by authors and publishers and producers of all kinds, including newspapers, but patents, trademarks and know-how as well. If territorial rights cannot be protected against such infringements, the opportunity to optimise sales in different territories is greatly reduced, to the detriment not only of the publishers, but also of authors and consumers, and of our cultural life as well.

Furthermore, our major investments in these important rights will be undermined as we become victims of fluctuating exchange rates, loss-leading remaindering, and opportunistic importing of more successful titles, killing the risk-taking involved in production of new and chancier titles.

The importance of this is recognised in the UK and the US copyright acts; indeed, the US is a zealous protector of its own territorial rights. A US consent decree which settled a major UK/US dispute on such market rights 20 years ago specifically protects the ability of copyright owners in one territory to protect their rights against importation of infringing copies from another.

These rights, often expensively acquired, are likely to be protected by all possible means by their owners, with the strong support not only of the Publishers Association but also of all similar bodies concerned to protect their national creative economies and cultures.

Clive Bradley,
chief executive,
The Publishers Association,
No 1 Kingsway,
London WC2B 6XF

As Emu knocks down barriers, curtain will rise on great cross-border bank sale

From Mr Rod Barrett.

Sir, In your discussion of pan-European takeovers ("Mergers à la mode", October 14) I was surprised that you concluded that there is little logic for the financial sector.

Within participating countries, economic and monetary union eliminates an important barrier to competition between banks of different nations, namely a local currency deposit base. Within an Emu, for example, a bank with a cheaper source of funds in one country can undercut the price of loans of a bank in another without its previous concern for the currency risk.

In-market mergers have been a feature of banking for some years; unless other barriers intervene, the logic is surely that an enduring Emu would become the market in which future mergers occur. Potential for cost reduction and shareholder value creation is apparent; the main barrier is not logic but practical issues such as restrictive labour laws and uncooperative local management.

If confidence rises that these will change: the curtain will go up on the great European cross-border bank sale. It may mean no locally owned major bank in some countries; and, by similar token, some national stock exchanges and other financial institutions reduced to regional status. Surely none of this is a surprise. It is an integral part of Emu; it goes with the territory.

Rod Barrett,
60 Southborough Road,
Bromley BR1 2EN.

Post-Emu chaos not inevitable

From Mr Steven Burgess.

Sir, Peter Martin ("Emu's new horizons", October 16) is correct to point out that the euro will be a watershed for European business.

However, he paints a very fluid world, post-economic and monetary union, of entrepreneurs building hasty and excessive empires, where companies will have discretion over the extent to which they will be subject to the constraints of national policies.

This ignores the fact that the European Union has strong powers in the area of competition policy and these will undoubtedly need to be developed to meet the challenges of the post-Emu environment.

While it is true that the ability of nation states to influence big business will diminish, this does not mean that the post-Emu world will be as chaotic as Peter Martin suggests.

Steven Burgess,
13 Hogarth House,
Erasmus Street,
Westminster,
London,
SW1P 4HS

Still thrilled by second stonecutter's reply

From Mr Michael Mould.

Sir, Fifty years old, dreams intact, and heavily involved in management training, I was astounded to read about Lucy Kellaway's attitude to the stonecutter story. Personally, I still get a thrill when I tell that story to trainees.

Ms Kellaway writes: "The first stonecutter says, 'I'm cutting this stone into blocks', while the second stonecutter says, 'I'm on a team that's building a cathedral'. She says she prefers the first stonecutter's reply since "it at least shows he knows what he is doing", the implication being that the second does not. Logically, this does not follow.

More seriously, she says she would deserve to be fired if she wrote about herself at the FT as being "on a team creating the world's best business newspaper". I would contend that she should be fired if she does *not* envisage her role in such terms. The "shameless waffle" is elsewhere.

She says she is employed "to write about things as simply as possible". This ambition has as much inspirational impact as an out of date telephone directory.

I sincerely hope that one day, her little son or daughter-to-be will say: "Mummy, I love the second stonecutter's reply."

Michael Mould,
France Telecom corporate headquarters,
Paris,
France

When Six is a crowd

Jim Kelly looks ahead to the possibility of just three global accountancy firms

The news that at least four of the world's Big Six accountancy firms are now involved in separate sets of merger talks brings tha day closer when a market worth at least $40bn (£24.6bn) a year in revenues – serving the globe's biggest companies – could be dominated by a few super players.

Clients must now be asking: what if the Big Six really does become the Big Three?

It is, of course, a very big if. The decision of KPMG and Ernst & Young to begin merger talks this week, following last month's announcement that Price Waterhouse and Coopers & Lybrand are also courting, means that the world's senior financial regulators, particularly those in Brussels, are bound to look closely at the competition issues involved.

Also, the partners have yet to vote on the merger plans. The executives proposing the mergers will need to secure as much as a two-thirds majority before the deals can proceed. KPMG's byzantine structure promises to present some particularly difficult hurdles.

But if we jump ahead to the year 2000 and imagine that the two firms outside the current round of talks – Andersen Worldwide and Deloitte Touche Tohmatsu – have fallen into each others arms, we could find ourselves in the world of the Big Three. So what would it be like?

The boards of the world's leading companies would certainly find their choice of auditors severely limited. If the two mergers already proposed go ahead, 88 per cent of the companies in the FTSE 100 index alone would fall under the two new super firms and 36 of the 50 top US-based multinationals.

The firms would argue that audit is now a small – and far from lucrative – part of their businesses compared with the burgeoning management consultancies and information technology houses that they are developing. But critics would say that misses the point. In the one area where companies have no choice – in meeting their legal duty to appoint an auditor – the number of candidates would be drastically reduced.

To some extent the Big Three would be victims of their own success. It is already almost unthinkable that the annual general meeting of a company with global ambitions would allow the appointment of an auditor from outside the ranks of the super firms. The Big Six has become a brand with tremendous power to reassure shareholders; the Big Three would simply concentrate the power of that brand. There would be no alternative in the market for a global auditor. Some companies would have no choice at all, as conflicts of interest could easily reduce the candidates from three to one.

The Big Three, with aspirations to sell much more than the statutory audit to their global clients, would stretch the perceived independence of the auditor close to breaking point. Many companies already struggle to make sure their auditors do not end up heavily involved in providing other advice. But even in a straightforward acquisition, for example, the chances of one of the big firms being "conflicted out" in a market with only three players would be very high.

The fact that the Big Six had already begun to bump into each other in this way has, in recent years, led many to forecast that they would unbundle themselves and create, by demerger, smaller and more focused businesses.

In some cases partners have jumped ship to set up niche firms to meet client needs. One set of Big Six partners, for example, has set up a firm in London to provide forensic services because they kept losing business in their old jobs through conflicts of interest.

Big companies could turn elsewhere for advice and leave their auditors to get on with auditing. But the Big Three would be difficult to ignore: their size would make them extremely competitive on price and skills.

The three would have another big advantage: while competitors would have to carry the costs of finding clients, identifying their needs, and getting to know their businesses, audit firms are already in such a position.

In the world of the Big Six – let alone the Big Three – these pressures lead to concerns about the perceived independence of auditors. Consolidation within the sector would raise questions about the efficiency of Chinese walls within the firms and the degree to which conflicts of interest could be identified and removed.

A string of corporate failures – such as the ones seen in the late 1980s and early 1990s – would place the Big Three under huge pressure to separate the audit business from their other services. At the very least, regulators might want to allocate audits of companies to various firms to avoid market domination.

A Big Three would, therefore, have to deal with immense problems in the marketplace of the 21st century. But there would also be tremendous internal problems, not least in devising a management framework capable of controlling efficiently organisations with tens of thousands of partners – each one in theory an owner-manager.

Two significant factors point to continued internal strife within the very big firms. First, partners within multi-disciplinary professional firms have significantly different earning powers. One only has to look at the bitter disputes that have broken out within Andersen Worldwide between consultants and accountants to see the potential for discord. All the firms are already struggling with this issue – no one has yet found a solution. The Big Three would find the pressures difficult to contain.

Second, the senior executives of the Big Three might trumpet the global nature of their new super firms but the statutory nature of the audit means that, legally at least, the firms would operate on a country-by-country basis. Such problems can be overcome by sharing costs across borders. But the Big Three could not go too far down this road otherwise they would find themselves open to cross-border legal actions when audits fail. Global liability is a nightmare just as vivid as the dream of the truly global firm.

The rush to create the Big Three is being driven by phenomenal growth – of up to 25 per cent a year – in the revenues that can flow from providing advice to globalising companies. To some critics this growth, and the profits which come with it, are the only logic behind the planned mergers. It is a logic which seems to ignore the potential problems and at the very least disregards the anxieties of clients – many of whom say the professional firms are big enough already.

The sector's herd instinct is very strong and has already led to the development of six giant organisations that are depressingly similar – a single brand rather than six separate ones. There must be a real danger that the rush towards creating the Big Three is born out of the fear of being left behind, rather than a coherent vision of the future.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
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Emu policy in a spin

When Tony Blair meets Helmut Kohl today, he will have a lot of explaining to do. Will the British prime minister tell the German chancellor that the main stories in the UK newspapers this weekend were all wrong? Or will be say that he does indeed expect to rule out Britain'a entry into European monetary union during this parliament?

Mr Blair may try to find soothing words for Mr Kohl. He is, after all, anxious to rebuild the bridges witb Germany which were so badly damaged under the Conservative government. Nevertheless he has fallen into a trap of his own government'a making. As a result, his approach to Emu is open to serious charges of incompetence and indecision.

Clearly, ministers needed time to make up their minds on Emu. But the briefings and counter-briefings of recent days and weeks have created damaging confusion – for the public, industry and financial markets.

This is no way to build the trust and openness which Mr Blair claimed to be his government's goals. It will not help him address the "bard cbnices" of which be spoke last month. Nor will it do anytbing to improve Britain's chances of exercising leadership in Europe, which he has set as one of his priorities.

To avoid lasting damage, Mr Blair must now agree with his cabinet (not just a tiny coterie) a clear and consistent policy towards Emu. He should be honest about the economic uncertainties and possible costs of entry as well as the dangers of continned indecision.

Almost no-one now thinks that Britain could join in 1999 – the first possible date. Sterling's strength, the gap between UK and continental intarest rates and the misalignment of economic cycles would make entry in 1999 very imprudent.

But to rule out entry for the rest of tbis parliament would also be folly. The merits of entry – perhaps in 2002 – will need to be judged in the light of the UK's economic state, nearer the time. But it will be possible only if Britain commits itself to that goal well in advance.

That is what the goveroment's planned statement on the single currency next month needs to do. To be takeo at all seriously in Europe – either as a putative member of Emu or to exert real influence on economic or monetary policies that will determine its success – Mr Blair must state that Britain in principle intends to join as soon as feasible.

In addition, he must set out a credible programme that will lead to this goal. At a minimum, this will include a continuation of its anti-inflation policy and a very tight fiscal stance.

These aims are desirable in themselves. But they are essential to bring sterling and UK interest rates on to a glide path towards Emu entry. Without a clear policy of this kind, British business will be exposed to unnecessary exchange rate and economic risks; foreign investors will be increasingly uncertain; and the UK will be deprived of influence in Europe.

What Mr Blair tells Mr Kohl today is thus of paramount importance. If he thinks Britain should and can eventually join Emu, be must say so. Otherwise, he will not be taken seriously in Europe. Nor will he deserve to be.

Wrong tack

For two decades, the US has repeatedly jeopardised its relationship with Japan, and the stability of the world trade system, by threatening Tokyo with unilateral sanctions over allegedly unfair trade practices. More often than not, such bullying tactics have created political resentment, withont achieving their intended goals. But seldom have they been used as foolishly as in the dispute over Japan's port practices which brought the two countries to the brink of trade war at the weekend.

By any standard, the port practices are indefensible. By preserving inefficient bureaucracy and labour methods, they benefit intransigent trades unions and, by some accounts, organised crime. They impose crippling costs on Japanese and foreign shippers alike - and on an ailing Japanese economy.

For that reason, when the US called for change, its demands were privately welcomed by Japan's government and industry. Not only has Washington failed to use that goodwill; it has contrived to put itself in the wrong and alienated Japanese supporters.

By fining Japanese shipping lines, Washington has sought to punish the victims not the perpretrators of Japan's port practices. Its threat to escalate the dispute by closing US ports to Japanese vessels would, if implemented, almost certainly violate World Trade Organisation rules.

Perversely, the closure threat is based on powers in the 1920 Jones Act, a grotesquely protectionist law which guarantees US-built and owned vessels a monopoly of the country's coastal shipping. The US had a ready-made opportunity to attack Japan's port restrictions through the WTO negotiations on maritime services two years ago.

Bnt Washington scuppered those talks soon after they began, because of opposition from Jones Act supporters, which has also has kept the US Congress from ratifying a draft OECD treaty to curb shipbuilding subsidies. Such subservience to special interests undermines Washington's claims to champion free trade.

If the US wants to liberalise shipping, President Bill Clinton should aim to use his proposed fast track trade authority to relauncb the WTO talks and to bargain constructively. The US is at least as hobbled as Japan by archaic protectionism in the industry, and has as much to gain by jettisoning it.

No pain, no gain

Malaysia's Finance Minister, Anwar Ibrahim, unvalled the country's 1998 budget on Friday to a chorus of disappointment. The budget was an opportunity for Malaysian authorities to undo some of the damage done by Mahathir Mohamad's rasher outbursts against foreign investors. It wasted the opportunity to show financial markets that the authorities are prepared to take tough measures to get the economy back on course.

The budget's centrepiece was a package of measures aimed at improving the current account. These included wide-ranging increases in import duties and tax exemptions for exporting companies. The Malaysians know that they have to tackle their current account deficit, currently 5 per cent of gross national product, in order to regain the confidence of nervous investors. They hope that these incentives, together with improved competitiveness after the devaluation of the ringgit, will lead to an export surge, which would bring down the deficit painlessly.

But attempts to manipulate the current account through fiscal tweaking cannot succeed while economic growth remains at its present level. Bank credit growth is running at nearly 30 per cent per annum, and total bank credit to the public and private sector now stands at a massive 170 per cent of gross domestic product, the highest ratio in south-east Asia. Malaysia is awasb with credit, which will continue to encourage unproductive investment and to suck in imports.

Yet despite this, and despite the plunging ringgit, Malaysia has stuck stubbornly to a low-interest rate policy, using heavy central bank intervention to keep rates down.

Interest rates have been kept low because of fears that a rise could trigger a wava of corporate bankruptcies and further financial sector instability.

Dr Mahathir is particularly concerned about the fate of a number of large companies, which form part of his traditional powerbase. But many of Malaysia's companies and financial institutions have survived only because of unsustainably high credit growth. If they cannot survive the transition to a more stable environment, they must be allowed to fold.

If Malaysia really is to regain investor confidence, a period of somewhat slower growth cannot be avoided. The alternative is likely to be a slide into deeper crisis.

All change at the exchange

The new electronic trading system will continue the profound transformation of London's stock market, says George Graham

The London Stock Exchange has come a long way. Two years ago the exchange was being grilled by the House of Commons, investigated by the Office of Fair Trading and sniped at by US investors. Its biggest members were fighting tooth and nail against change, and its chief executives had the life expectancy of a Kleenex.

This morning, the exchange will crack open the champagne as Gordon Brown, the chancellor of the exchequer, pushes the button to launch a new electronic trading system that could radically change the way the UK stock market functions.

The marketmakers, the big share dealers who seemed to have most to lose from the end of London's traditional trading system, show an enthusiasm that few would have suspected a year ago. So, too, do many of the largest UK institutional investors.

"It's amazing how the pendulum has swung. It has changed from being really negative to everyone being really psyched up for it," said Clive Williams, chief dealer at LGT Asset Management.

The exchange has now settled in with a new chief executive – Gavin Casey, former chief administrative officer for international equities at Merrill Lynch – cut its costs by £55m and got the new electronic order book up and running in time for this morning's grand opening.

Traders have spent their Saturdays rehearsing with the new system, but the start of live trading today will bring the biggest changes to the London stock market since the Big Bang reforms of 1986.

Big Bang transformed the exchange from a gentleman's club into a business, and changed all but a handful of its member firms from old-style partnerships into subsidiaries of multinational banks. It got rid of the old trading floor, with its blackboards and sawdust, in favour of computer screens.

But the revolution was only half completed. Although prices were displayed on screens, a bargain was still something to be negotiated over the telephone.

Today, the automation of trading will be completed, at least for the larger stocks that make up the FTSE 100 index. A bid in the electronic order book can be accepted at the click of a mouse, with no haggling or second thoughts.

"If you put an order up on the screen, you had better mean it," said the head of equity trading at one large investment bank.

That involves a cultural change, not just for the marketmakers whose role as middlemen will be eliminated, but, perhaps more significantly, for fund managers who will be able to deal directly on their own behalf.

Fund managers have been used to ringing up a marketmaker and asking for a price on the shares they want to buy or sell. They have usually wanted the ability to trade large blocks of shares immediately, which is something the London market has delivered over the years.

Academic studies suggest that London share prices move less in response to large trades than most other markets, because marketmakers put their own capital at risk to absorb the impact of the deal on the market.

The downside has been that the marketmaker has needed to make a return on that risk capital. As a result, the spreads between buying and selling prices have tended to average about 0.6 per cent, whereas most Continental exchanges, which already use electronic order books, average 0.15-0.2 per cent.

Many foreign investors – notably Fidelity, the large US mutual fund group – grumbled that London not only saddled them with high dealing costs but also offered little transparency, especially as marketmakers were allowed to delay the publication of large trades.

The problem was particularly acute for quantitative fund managers, who use computer trading programmes to track stock market indices, and for traders trying to arbitrage between the main stock market and stock index futures or options. They needed to be sure they were dealing at the right market price.

The new electronic order book provides this certainty, and the exchange believes it could lead to a significant increase in trading volumes related to derivative activity.

A study prepared for the exchange by the Oliver, Wyman consultancy found that equity derivatives trading in the UK amounted to only about 50 per cent of stock market equity outstanding, one third of the level in France or the US and less than one quarter of Germany's level.

"An adjustment in turnover to average international levels would boost cash equity activity by approximately 100 per cent and exchange-traded derivatives by approximately 300 per cent, which is in line with conservative predictions expressed by intermediaries we interviewed," Oliver, Wyman said.

UK investors, who have valued the immediacy of the old London system, are less sure that everything is wonderful in the brave new world of the electronic order book.

"Most clients are struggling," said one large marketmaker.

The first thing fund managers will have to learn is patience. A UK investor, used to London's immediacy, wants his broker to quote a price for large quantities of shares, whereas his American counterpart is often reluctant to make up more than 30 per cent of the volume going through the market, and will wait to complete a trade in small portions over a day or more.

Handling large orders in a way that does not disrupt the market will become a crucial skill for brokers, many of whom have installed sophisticated systems to do this. Some fund managers, equally, have installed their own systems for measuring how good a job the broker does for them in executing these large trades, comparing share prices to the market average down to the last decimal place.

"Execution will become paramount, and institutions will pay for that. Fifty per cent of large orders will fairly shortly become over-the-day orders," said John White, a marketmaker at SBC Warburg Dillon Read.

Will the exchange's brand new system be able to cope? Older marketmakers vividly recall the first Big Bang in 1986, when their screens froze within an hour of the market opening.

That seems unlikely to happen this time, although systems managers at the largest houses will be holding their breath until the third Friday of November, when another set of stock index derivatives expire, triggering a surge in trading volumes.

Most of the large brokers are also confident of their own systems.

The exchange system is built to cope with about 3,000 orders per minute, against an underlying rate of 60-70 per minute today, which should leave a good deal of headroom.

"It's not a step into the unknown. Every big integrated house has a US or a European arm and is used to this already," said Mr White of Warburgs.

More worrying is the capacity of the Crest settlement system. The system, newly installed this year, was creaking at the end of the tax year, because of the weight of "bed and breakfast" trades. Setting aside any expected increase in volume, one order on the screen may be filled by several smaller ones, each of them booked as a separate trade. That will be offset, however, by the elimination of the marketmaker as middleman, reducing the number of trades.

"Settlement is the biggest worry. Will we get twice as many trades to settle, or three or five times? Crest already struggles with today's volume," Mr White said.

Crest says it is currently handling about 130,000 trades a day, and coped easily with 160,000 a day during the wave of building society flotations last summer. Its forecasts, done in partnership with the exchange, suggest that settlement volumes are likely to increase by about 15 per cent.

"We are quite confident we can handle the volumes that the new system will throw at us," said Paul Symons of Crest.

Others are less sure. Doug Atkin, chief executive of Instinet International, the automated brokerage owned by the Reuter media group, warns that London has missed a trick by not setting up a central counterparty for settlements.

"In any other market in the world I can do 1,000 trades but at the end of the day I make one settlement per stock with the central clearing house. If I do 1,000 bargains in Glaxo on Monday, I have to settle 1,000 bargains, and at £2 or £4 a time that is expensive," he said.

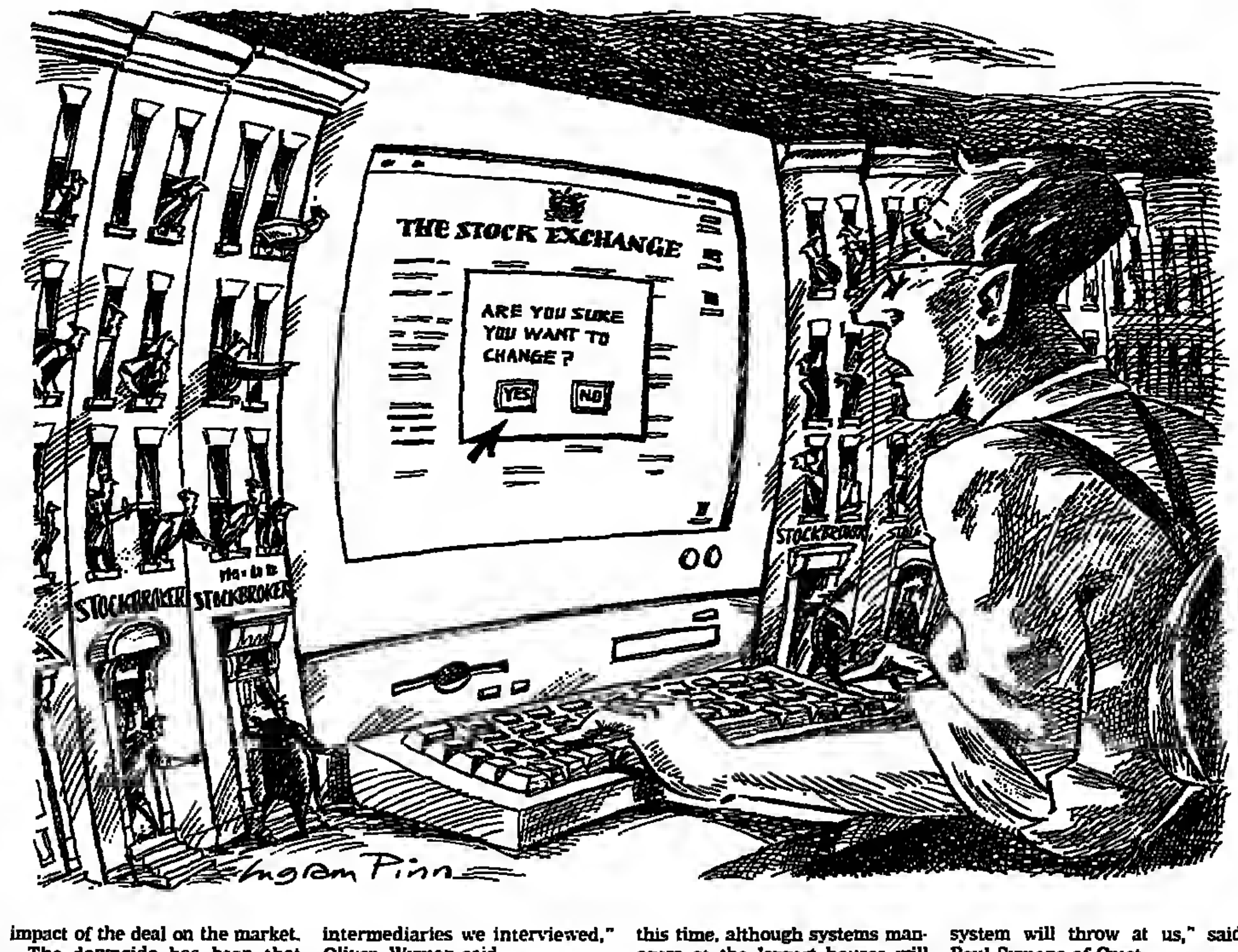
The greatest uncertainty of all, however, is whether investors will use the electronic order book at all. Most of the big brokers plan to give the new system a rousing send-off today by placing plenty of orders, but over the medium term, the order book will only work if it offers the most liquid market for investors.

The Oliver, Wyman study indicates that most markets that have adopted similar trading systems see between 75 per cent and 90 per cent of trading going through the electronic order book, with the rest handled by traders using their own capital, in the same way as London's traditional marketmakers.

A recent survey of brokers and fund managers indicated that less than half of all trading is expected to go through the order book. But many traders believe that even if the market starts slowly, it will gradually catch on.

"If it's 50:50 on day one, that would be a huge success," Mr Atkin said.

The opening of the London Stock Exchange's new trading system will be shown on Financial Times Television at 8.20am.



· OBSERVER ·

Principle finance

■ It takes a leap of faith to believe that global equity markets can keep on rising. So what better time to launch the world's first Islamic hedge fund? Not only will the fund make money – in theory – even when markets are falling; it'll also pick stocks according to the doctrines of the Koran.

It's all the idea of Adnan al Bahar, who runs the Kuwait-based International Investor, an investment bank specialising in Islamic finance. The fund will steer clear of companies involved in pork production or the arms trade and shun companies that are highly leveraged – in line with the Koranic prohibition on dealing in interest.

While the fund is being aimed squarely at Islamic investors, the money is being managed by the European arm of US fund manager Barr Rosenberg – founded by the eponymous econometrics professor turned investment guru. Managing director Jeanie Paterson says the idea has been approved by an advisory board of religious scholars back in Kuwait. She reckons Barr Rosenberg – which specialises in clever maths – has enough mega-bytes on tap to make sure the fund doesn't stray into forbidden stocks.

You don't have to be Islamic to join the club but you've certainly got to be rich. There's a minimum investment of $100,000.

Credit due

■ Robin Monro-Davies has never been afraid to venture an opinion. Which is just as well considering that IBCA, the credit rating agency he's run for 20 years, makes its money opining on the credit-worthiness of banks, companies and even governments.

The merger between the London-based outfit and Fitch, its larger US rival, is a quantum leap for IBCA and its managing director. When it started in the late 1970s, IBCA was a department within securities house Fox-Pitt Kelton. Nowadays, it's just about the only challenger to the might of the US ratings agencies led by Moody's and Standard & Poor's: merging with Fitch pushes it into the big league.

Even after the merger, Fitch IBCA will be only one-third the size of the two American giants. But, true to form, Monro-Davies is talking a good fight. "People keep asking how we're going to compete with S&P and Moody's, but the truth is I've been up against them all my life," says the forthright 57-year old. "If we're half their size by the time I retire, I'll be delighted."

Say cheese

■ Strange but true. The world's first vegetarian camera has arrived. Yes folks, the Ricoh RDC-300 is the first camera to bear the British Vegetarian Society's "V" symbol, guaranteeing the product is entirely free from animal ingredients.

It appears a lot of carrot-crunchers are unaware that gelatine – derived from animal bones – is used as a fixative in photographic film. But the clever little digital gizmo from Ricoh enables pictures to be viewed and edited instantly, banishing the need for film. A cock-a-hoop Vegetarian Society spokesman warbles: "Soon all vegetarians will be able to take their holiday snaps with a clear conscience." Not to mention an empty purse; the camera for beginners makes its UK debut at a price equivalent to $600.

Spice not nice

■ Another blow to Anglo-Indian relations – but this time it's the pop-tastic Spice Girls, rather than dignified Queen Elizabeth, at the eye of the storm.

Hopes were high as Scary, Ginger, Posh, Baby and Sporty Spice jetted into Delhi for the V-TV music video awards, the hottest ticket in town. Surely the girls could put some bounce back into bilateral relations – something the recent tetchy royal tour failed to achieve.

The omens were good as the Spices came on stage and performed two "live" numbers in front of an enthusiastic 18,000-strong crowd. The group scooped two video awards themselves. Trouble was the girls weren't around to collect their trophies – they'd been whisked straight off to the airport. A chorus of 18,000 boos ensued. A Spice Girl "representative" did stay to pick up the first gong but there was no one to receive the second, presented by Indian cricket hero Kapil Dev. "I'll give it to the first beautiful woman I see," he declared, walking off with the trophy under his arm.

Double cross

■ The latest jargon from the Californian world of hot tubs and hotter deals is "co-opetition". It refers, apparently, to the state of affairs when one part of a company sues a rival while another department coincidentally signs a collaborative deal with the same competitor. Particularly popular in the fast-moving and litigious biotech industry.

Financial Times

100 years ago

Spain And Cuba
Senator Davis, Chairman of the Foreign Relations Committee of the United States Senate, has written to a friend in Paris to the effect that he has serious doubts, in view of the recent successes achieved by the Cuban insurgents, whether they will now accept autonomy. The Senator adds, however, that if Spain really means to give the island an equitable and just government the United States will unquestionably exert all its influence over the Cubans to secure its acceptance.

50 years ago

Chinese Strike In Malaya
Armed police and riot squads will be standing by throughout Malaya to-morrow in case clashes between Chinese and Malays or between opposing political parties result from the hartal (general strike and cessation of business) called by the Chinese chambers of commerce and extreme Left wing parties in protest against the latest constitutional proposals for Malaya. It was feared in Singapore that the Chinese decision to copy the Indian practice of a hartal might inflame anti-Chinese feeling among the Malays, who in general are satisfied with the proposals.

FINANCIAL TIMES

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German group to revive Maybach luxury brand

Mercedes limousine to challenge Rolls-Royce

By Haig Simonian in Tokyo

Rolls-Royce Motors, the British carmaker, is about to face its first direct challenge from Mercedes-Benz in the luxury motoring market.

The German company is expected to unveil at this week's Tokyo motor show a "concept" car that will be the basis of a luxury limousine. The vehicle will be badged as a Maybach, reviving a disused luxury brand held for years by Mercedes-Benz.

The car will be shown on the first press day of the Tokyo show on Wednesday. Details will be released today. The vehicle will be bigger and more powerful than any previous Mercedes-Benz and is expected to use a larger version of the 12-cylinder engine that powers Mercedes-Benz's flagship S600 model.

Although described as a "concept" car, it is expected to go into production. Manufacturers often use lightly disguised concept cars at motor shows to gauge public reactions to forthcoming models.

The Maybach represents a serious challenge to Rolls-Royce Motors. It would slot into Mercedes-Benz's range above the most expensive S600, which costs about £100,000, and compete with the British maker's Rolls-Royce and Bentley models, which start at about £125,000.

Rolls-Royce Motors, owned by Vickers industrial group, has returned to profitability after the boom and bust of the early 1990s.

The experience has forced the company to lower its cost base and modernise production techniques, with the installation of the first moving assembly line at its works in Crewe, England.

Such steps have significantly lowered Rolls-Royce Motors' break-even point. This month, the company announced a 9 per cent rise in unit sales in the first nine months of this year to 1,396 cars.

The move by Mercedes-Benz is also an indirect challenge to BMW, the German executive cars group, which co-operates closely with Rolls-Royce Motors. BMW previously pipped Mercedes-Benz to supply engines and electronics to the new Rolls-Royce and Bentley models due before the end of the century.

Rolls-Royce Motors' preference for BMW, which will deliver V8 and V12 engines to the new Bentley and Rolls-Royce models, was ill-received by Mercedes-Benz and may have triggered the decision to revive Maybach.

Past luxury: A 1931 Maybach Zeppelin D57, whose name Mercedes-Benz will revive to challenge the top of the market Rex

Brussels may outlaw sheep and veal brains

By Michael Smith in Brussels and Andrew Jack in Paris

Brains of veal calves and sheep, favourite delicacies of Jacques Chirac, the French president, could soon be removed from the tables and restaurants of Europe.

The European Commission has already decreed that the cerebral matter of sheep, cows and goats over a year of age will be banned from the food chain from January 1. Now European Union veterinary experts are investigating whether the ban should be extended to younger animals.

They are under pressure to recommend a tightening of the rules as there is evidence that the BSE "mad cow" disease, linked to an equivalent human disease, can be passed from cow to calf.

A tougher ban would be strongly opposed in countries such as France, Greece and Spain, where brains are served in leading restaurants. Mr Chirac's favourite meal is *tête de veau*, or veal's head.

If the ban were extended, it would include the eyes of cows and sheep under a year old. The ban on brains and eyes of animals more than a year old was part of a controversial package of measures agreed in July by the Commission.

Other "specified risk material" (SRMs) which will have to be removed from carcasses and destroyed from January 1 include skulls, tonsils and spinal cords, the parts of the animals thought most likely to be carriers of BSE and its equivalent in sheep and goats.

The ban has caused severe trade friction with the US, which exports billions of dollars worth of products containing cattle derivatives and says its meat renderers are unable to separate the SRMs from the rest of the carcass.

Veterinary experts in the EU's "multi-disciplinary committee" were told in a report from one scientist last week that because of the risk of maternal transmission of BSE "it can not be excluded that parts of an animal are infective as from birth".

The report also noted it was difficult to recognise the different ages of animals in slaughter houses after they had been killed.

The committee called for further evidence and is expected to make a recommendation for or against an extension of the ban next month.

THE LEX COLUMN

Tangled web

Those who live by the spin-doctors die by them too. That is the painful lesson which Tony Blair and Gordon Brown are set to learn. It may be, of course, that government policy on joining monetary union is no different from three weeks ago when markets responded euphorically to reports that it would take a more positive stance.

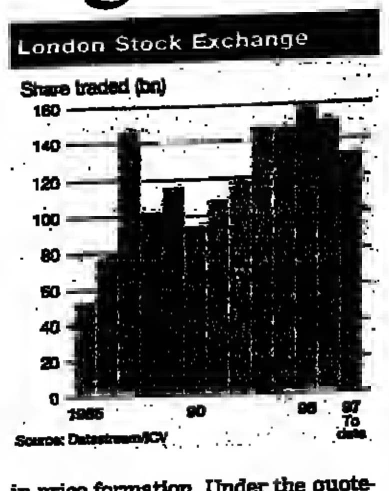
But, in the current pea-soup environment, it is impossible to tell. And so long as uncertainty prevails, investors will rightly penalise a government that either does not know what it believes, or is happy to allow spin-doctoring to masquerade as a substitute for policy.

As far as there is any clarity, it looks much less likely that Britain will join Emu before 2002, if then. But given that an earlier joining date had been taken as an excuse for an exuberant rally, some degree of retreat is clearly appropriate. Gilts look most vulnerable, with the spread over bunds having narrowed from 120 basis points to 93. That gap will widen again. Equities, in turn, are left looking more expensive, although their future lies more in the hands of Wall Street. As for sterling, it has regained all its earlier losses anyway, so there is no reason for a sharp rally.

Just what constitutes an appropriate level of prices will have to await clarification of government policy. Meanwhile, it is as well to remember that for all the muddy waters, this government is much more positive about Europe than its predecessor. The timetable for convergence with Europe may be in doubt – the principle, for now, is not.

London Stock Exchange

London Stock Exchange



Source: Datastream/ICV

London's new electronic trading system (Sets) for equities looks like enjoying a fiery baptism today. The 10th anniversary of the 1987 crash still has nerves jangling, and the government has aggravated matters by dropping the ball badly over European monetary union. It would be a shame, though, if volatile markets were to overwhelm, and thus discredit, the fledgling system.

True, at the level of technology, it simply brings London into line with other leading exchanges. But the impact of shifting from a quote-driven to an order-driven market promises to be more fundamental.

The most important difference is in price formation. Under the quote-driven system, this resides with market-makers who are intermediaries between buyers and sellers. They quote wide spreads, to allow a return on their risk capital. This system obscures the real price at which bargains are struck, and favours insiders over the uninitiated.

Under the order-driven system, price formation shifts to the end-investors. Not only is it more transparent – prices are on the screen – but it should make trading cheaper by shrinking spreads: this is because bargains will reflect actual supply and demand conditions. There will be no need to price in the risk which market-makers currently hold.

Cheaper, more transparent trading conditions are good news for the London market. It will increase participation by those who previously kept their distance, such as US institutional investors, and quantitative and derivative style traders who require the greater automation which Sets provides. Rising volumes should in turn allow prices to fall, creating a virtuous spiral of liquidity.

One wrinkle is that this could come at the price of the immediacy that market-makers have traditionally provided for clients transacting large deals. They will still be there to perform the role, but not obliged to. Investors, therefore, will have to be much cannier in doing their trades. They will have to choose between relying on market-makers, and using Sets. Those who choose wisely should be able to steal a performance march on competitors. As a result, success as a fund manager will reflect more than simple stock-picking prowess, important though that will remain.

Market-makers will clearly lose profitable small-order business to Sets. There will, of course, be the compensation of increased volumes. But the only other ways to respond are by cutting costs, as many have already done, and by pricing risk better. Under the quote-driven system, there was cross-subsidisation between profitable and unprofitable business. In future, investors may sometimes have to pay more to transact large trades.

Ultimately, Sets faces two crucial tests. First, it must be shown to work. Then it must become a credible arena for setting prices. By the standards of other order-driven exchanges, this requires transacting some 50 per cent, by value, of share transactions. All the evidence is that this will be a question of when, rather than if.

BAT

However debatable the merits of BAT Industries' deal with Zurich, the British company's share price is curiously depressed. For a start, the resulting demerger means BAT can sensibly be valued in parts. Begin with BAT's market capitalisation of £18.1bn. At Zurich's current share price, the BAT share of the merged insurance business is worth £9.8bn. Subtract that, as well as £2.8bn for various associates in which BAT has stakes – these can mostly be valued at market prices – and the tobacco business is being implicitly valued at £5.4bn. After making a deduction for a first stab at the costs of the settlement currently being debated in the US, this amounts to maybe 7-8 times prospective earnings and an enterprise value of 5-6 times prospective earnings before interest, tax and depreciation.

Such figures look cheap by any standard. This is, remember, a business with considerable growth potential in the developing world. And although the litigation risks are obvious, this cannot explain why the shares also look good value when compared to the multiples implicit in valuations of the US international tobacco stocks.

Part of the explanation is befuddlement at a complex cocktail of tobacco litigation risks and a Byzantine all-share insurance merger. And, partly, there is understandable concern that Zurich's share price, after its initial spurt, has since been sliding. But investors should not let this distract them too much: consider the full picture and the shares look an attractive bet.

Thailand's crisis forces finance minister to quit

By Ted Bardacke in Bangkok

Thanong Bidaya, Thailand's finance minister, said yesterday that he would step down because he lacked the power and seniority to implement the tough reforms needed to solve Thailand's economic and financial crisis.

Financial analysts said that Mr Thanong's statements were likely to put the Thai markets under heavy pressure. Last week its currency, the baht, closed offshore at its lowest level, Bt37.30 to the US dollar.

Leaders of the country's six-party coalition asked prime minister Chavalit Yongchaiyudh to remake his entire 48-member cabinet.

Former premier Gen Chatichai Choonhavan, leader of the coalition's second largest party, the Chart Pattana party, has been given the mandate to select ministers for the new cabinet's economic portfolios.

Giving the freedom to engineer a cabinet reshuffle to the prime minister and Chart Pattana effectively amounted to a resignation by the entire cabinet, said deputy prime minister Korn Dabaransi.

The only reason the cabinet did not formally resign was so it could formally endorse the emergency decrees tomorrow, he said.

"We are very concerned about resolving the suspended finance companies and we wanted a clean slate in the cabinet," said Mr Korn, who is also Chart Pattana deputy leader.

He thought a new cabinet list would be ready by Thursday or Friday.

Thailand's troubles are part of a wider south-east Asian crisis that has seen national currencies and stock markets in Indonesia, Malaysia and the Philippines tumble since the summer.

Mr Thanong, who led Thailand's negotiations with the International Monetary Fund for a $17.2bn rescue, said he was stepping down largely because of difficulties he foresaw in liquidating failed companies and in bringing Thai commercial banks up to international standards.

His decision to quit after only four months in office capped a tumultuous week in economic policy-making.

On Tuesday, officials announced the outlines of emergency decrees needed for a comprehensive overhaul of the country's financial system.

Investors set for wave of European privatisation share issues

Continued from Page 1

will receive one free share for every 10 held if they keep them for at least a year.

The final price of the retail offer will be announced on Saturday. It will be based on the lowest of the maximum price set on Saturday, the shares closing price on Friday October 24 plus a 3 per cent discount (4 per cent for Italian Telecom employees), or the average price of the offer for institutional investors.

The swift resolution of the Italian government crisis this month has also lifted a potential cloud over the sale.

The robust reaction of Italian financial markets and the lira have further encouraged the government over the sales.

Once the privatisation is completed, Telecom Italia will have the second-largest capitalisation on the Milan Bourse after the Eni oil group in which the government has so far sold three separate tranches of shares.

FT WEATHER GUIDE

Europe today

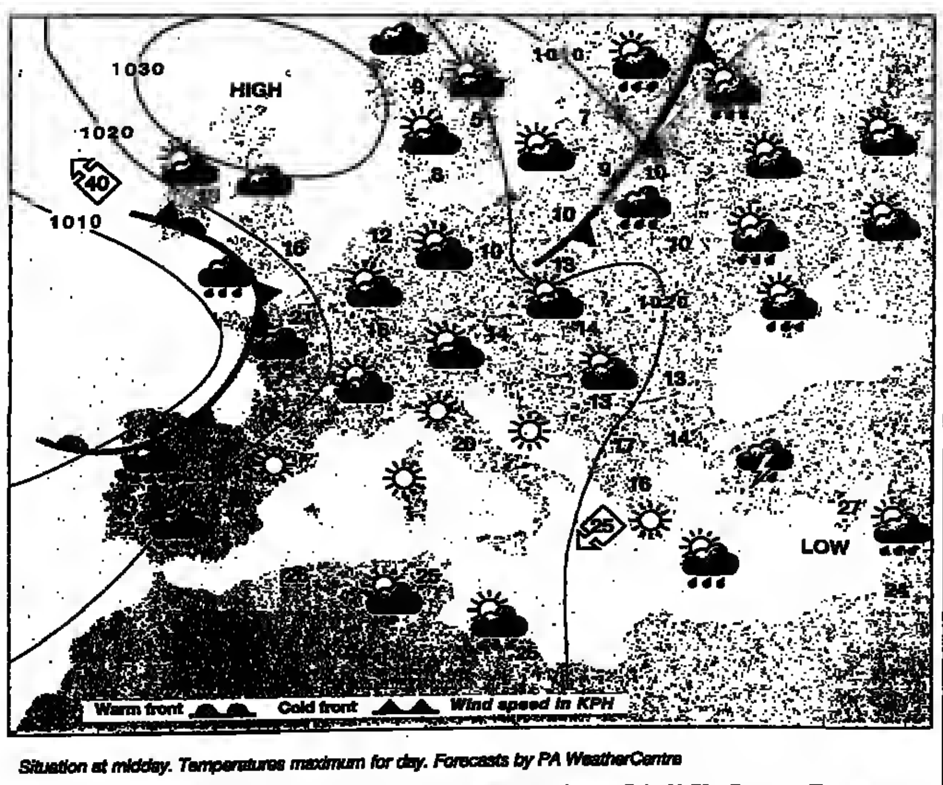
Scandinavia will be cold with snow showers. The Low Countries, Germany, Austria and Switzerland will be dry with sunny spells, but southern Germany will have early fog in places.

Eastern France will start dry but rain in the west will spread to all parts later. The rain will turn heavy in the west during the afternoon, with the risk of thunder. Portugal and most of Spain will be cloudy with rain.

Italy, Greece and the Balkans will be dry with sunny spells. Remaining parts of eastern Europe will be cloudy with rain. Cyprus and Turkey will have heavy showers.

Five-day forecast

Most places in Europe will have rain over the coming week. Scandinavia will remain cold with further anow. Eastern Europe will become colder with spells of rain, turning to snow later in parts of the north. Western Europe will also become cooler with spells of rain that will extend into the Mediterranean.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES (Maximum Celsius)

Abu Dhabi	Sun	33	91
Accra	Thunder	30	86
Algiers	Fair	28	82
Amst'dam	Cloudy	12	54
Athens	Cloudy	16	61
Atlanta	Sun	24	75
B. Aires	Fair	20	68
B.ham	Cloudy	14	57
Bangkok	Thunder	35	95
Barcelona	Fair	25	77
Beijing	Fair	23	73
Belfast	Cloudy	13	55
Belgrade	Fair	13	55
Berlin	Cloudy	10	50
Bermuda	Thunder	27	81
Bogota	Thunder	21	70
Bombay	Thunder	36	97
Brussels	Cloudy	15	59
Budapest	Sun	14	57
C.hagen	Fair	8	46
Cairo	Fair	25	77
Caracas	Fair	31	88
Cardiff	Rain	16	61
Casablanca	Fair	27	81
Chicago	Fair	12	54
Cologne	Drizzle	15	59
Dakar	Fair	31	88
Dallas	Shower	26	79
Delhi	Fair	28	82
Dubai	Sun	34	93
Dublin	Rain	13	55
Dubrovnik	Sun	18	64
Edinburgh	Cloudy	9	48
Faro	Rain	24	75
Frankfurt	Cloudy	15	59
Geneva	Cloudy	16	61
Gibraltar	Sun	24	75
Glasgow	Fair	10	50
Hamburg	Fair	10	50
Helsinki	Cloudy	5	41
Hong Kong	Thunder	29	84
Honolulu	Fair	30	86
Istanbul	Rain	15	59
Jakarta	Fair	33	91
Jersey	Rain	18	64
Johannesburg	Fair	19	66
Karachi	Sun	34	93
Kuwait	Fair	35	95
L. Angeles	Sun	23	73
Las Palmas	Fair	29	84
Lima	Fair	23	73
Lisbon	Rain	22	72
London	Rain	18	81
Lux.bourg	Cloudy	15	59
Lyon	Cloudy	22	72
Madeira	Thunder	25	77
Madrid	Rain	23	73
Majorca	Fair	25	77
Malta	Fair	23	73
Manchester	Cloudy	14	57
Manila	Thunder	31	88
Melbourne	Shower	15	59
Mexico City	Fair	23	73
Miami	Fair	28	82
Milan	Fair	18	64
Montreal	Fair	16	61
Moscow	Drizzle	8	46
Munich	Cloudy	14	57
Nairobi	Thunder	28	82
Naples	Fair	23	73
Nassau	Thunder	29	84
New York	Fair	18	64
Nice	Shower	20	68
Nicosia	Shower	24	75
Oslo	Fair	9	48
Paris	Cloudy	19	66
Perth	Fair	29	84
Prague	Cloudy	12	54
Rangoon	Thunder	33	91
Reykjavik	Cloudy	6	43
Rio	Rain	23	73
Rome	Fair	20	68
S. Frsco	Sun	18	88
Seoul	Fair	20	68
Singapore	Thunder	33	91
Stockholm	Fair	5	41
Strasbourg	Cloudy	18	81
Sydney	Shower	17	63
Tangier	Cloudy	26	79
Tel Aviv	Fair	24	75
Tokyo	Fair	22	72
Toronto	Rain	13	55
Vancouver	Sun	13	55
Venice	Fair	18	64
Vienna	Fair	14	57
Warsaw	Drizzle	10	50
Washington	Fair	19	66
Wellington	Cloudy	13	55
Winnipeg	Snow	2	36
Zurich	Cloudy	14	57

FINANCIAL TIMES
COMPANIES & MARKETS
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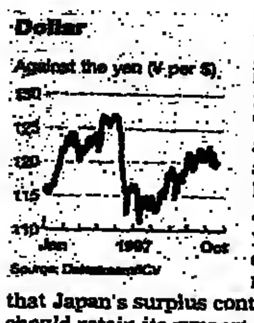
INSIDE

Fiscal package may support yen



Japan's ruling Liberal Democratic party today presents a fiscal stimulus package aimed at reviving the economy. The currency stands at about Y120 to the dollar and trade tensions between the US and Japan have buoyed the yen. If these tensions continue, and imminent trade figures show that Japan's surplus continues to grow, the yen should retain its support. Currencies, Page 25

GLOBAL INVESTOR
Emu and the banking system
Currency and short-term rate differentials among 11 European countries are due to vanish in 430 days. A less obvious result of Emu could be a vast liquid capital market - challenging the present system. Page 24; Lex, Page 18

MARKETS
New York
Federal Reserve chairman Alan Greenspan's caution over the economy may have knocked the confidence out of US markets. They seem to have accepted that simultaneous strong growth and low inflation cannot last for ever. Page 25

London
The new order-driven trading system be will on the minds of finance professionals today. The superstitious will worry that the 1987 crash was 10 years ago yesterday. Page 25; Lex, Page 18

Frankfurt
The market is likely to take its cue from Wall Street this week, having failed to shake off the sluggishness that followed its steep rise up to the summer. Investors are still digesting the implications of the recent rate rise. Page 25

INTERNATIONAL BONDS
BoE argues for junk bond market
With the collapse of the US junk bond market in the early 1990s, it is perhaps surprising that the Bank of England wants to see one develop in the UK. But a BoE report last week argued that a high-yield market would usefully broaden financing options for European companies. Page 26

COMMODITIES
Oil traders eye Iraq
Traders will be watching for news from the Middle East this week. The price of crude oil rose in New York and London has risen on fears that a UN-Iraq sanctions row may hit supplies. Page 25

EMERGING MARKETS
Russia's momentum keeps up
Eastern Europe, though it has become more volatile, is still an exciting place for equity investors, and Russia, by far the biggest market in the region, continues to move upwards. Page 26

INTERNATIONAL EQUITIES
France Telecom under the spotlight
Today is a watershed in French capital markets, as France Telecom makes its debut on the Paris and New York stock exchanges after the country's most successful privatisation. Page 24

ICB wards off Frontline
ICB Shipping, the Swedish tanker operator fighting a SKr3.22bn ($422m) bid from Frontline of Bermuda, said it had seen off its rival by winning shareholder approval for a $309m merger with Astro Tankers of Greece. Page 22

FT GUIDE TO THE WEEK - full listings Page 36

EU BUDGET
British MEPs will lead efforts to secure access for UK chocolate to the continental market without any brand name changes when the European Parliament meets today for a first reading of the EU's draft Ecu80bn ($100.44bn) budget.
BOARD BATTLES
The Russians, the *Olympiad* champions, are top-seeded at the 10-nation world chess team championship that begins in Lucerne on Friday, with Ukraine and the US leading contenders.
JAPANESE RESULTS
Leading Japanese securities companies will announce interim business results for the March-September first half of their business year on Thursday.

Companies in this issue

Kvaerner in US shipyard move

6,000 jobs to be created in conversion of Philadelphia naval facility to build tankers

By Tim Burt in Stockholm

Kvaerner, the Anglo-Norwegian engineering and shipbuilding group, is close to signing a deal to take over and run one of the largest dockyards in the US, creating up to 6,000 new jobs in the country's recession-hit commercial shipbuilding industry.

The company, which already operates yards in Finland, Norway, Germany and Britain, is in talks with the state of Pennsylvania to convert the Philadelphia Naval Shipyard into a facility building commercial tankers.

Tom Ridge, the governor of Pennsylvania, has persuaded the state legislature to offer $182m of aid to Kvaerner as part of an incentive package to reopen the shipyard, which boasts the two largest dry docks on the eastern seaboard of the US.

A spokesman for the governor said: "We can confirm we are in discussions with Kvaerner, involving a significant investment that could reinvigorate the US shipbuilding industry."

Kvaerner declined to comment on the deal at the weekend. Nevertheless, Governor Ridge is expected shortly to meet Erik Tonseth, Kvaerner's chief executive, to finalise the agreement.

Industry analysts estimate that up to $700m would need to be invested to refurbish the shipyard, where some 1,000 workers would be employed directly by Kvaerner and a further 5,000 in support facilities.

If agreed, the Philadelphia shipyard deal would represent Kvaerner's first large investment in shipbuilding in the US, where it could be offered loan guarantees from the country's maritime administration.

The US yard, which has been mothballed for several years, would augment Kvaerner's shipbuilding activities in Rostock, Germany, where it already produces liquefied-gas tankers.

Initially, the company is expected to build three container ships in Philadelphia before seeking government approval to build larger tankers at the site.

While refusing to discuss the Philadelphia deal, Kvaerner confirmed that the group was seeking to increase its output of container and freight vessels.

The intake of orders at the company's yards has increased sharply in recent years, particularly at its Masa cruise shipyard in Helsinki.

Only Govan in Scotland has been affected by a lack of orders and remains under threat of closure in the long term.

Profits from shipbuilding reached NKr525m ($74m) in the first half of this year, underpinning Kvaerner's pre-tax total of NKr840m and offsetting continued losses in the construction division inherited from last year's £904m ($1.46bn) acquisition of Trafalgar House of the UK.

Redland's Rudolph Agnew: received calls 'expressing general interest in the group' Picture: Fergus Wilkie

Redland considers offers after $2.7bn hostile bid

By Andrew Taylor in London

Redland, the UK roof tile and aggregates group, has received a number of approaches from rivals interested in buying all or part of the company, Rudolph Agnew, the company's chairman, said last night.

The contacts followed last week's £1.67bn ($2.7bn) hostile bid for the whole company from Lafarge, the French building materials group.

Redland rejected Lafarge's offer as "opportunistic and inadequate" and said it was considering alternatives that would release value for Redland shareholders.

Mr Agnew said: "There are a number of ways we could achieve this - from floating part of the business to trade sales or by achieving a higher price for the whole business either from Lafarge or another bidder. An independent Redland remains a realistic option.

"We have had a number of phone calls expressing general interest in the group, but there is nothing firm at this stage, which is what you would expect. But we have to decide which is the best way to get the value of the assets reflected in the Redland share price."

Companies thought to be interested in purchasing all or part of Redland include Minorco, the Luxembourg-based subsidiary of the Anglo-American De Beers group of South Africa. Minorco last year paid £330m to buy Tilcon Holdings, the UK aggregates arm of BTR, the former industrial conglomerate.

Other names that have been linked with Redland include: Pioneer, the Australian building materials group, which already has aggregates interests in the UK; Hanson, the building materials rump of the former conglomerate; and CRH, the Irish building materials group.

An offer by RMC and Tarmac, given the size of their UK aggregates interests, could raise competition issues.

Redland has appointed Lazard, Cazenove, J.P. Morgan and ABN Amro to prepare proposals to counter the Lafarge offer, including a possible break-up of the group.

One solution would be to find a purchaser for Redland's 56.5 per cent stake in RBB, Europe's biggest roof tile producer in which there is a large German minority shareholding. German laws protecting minority shareholders mean that any purchaser of RBB would need to win the support of the Braas family, which controls about 31 per cent of the shares.

Mr Agnew described the Lafarge offer document, published on Saturday, detailing its 320p a share offer as "underwhelming".

Turkish court halts Eurogold mining venture after protests

By John Barham in Ankara

A Turkish court has ordered the country's first gold mine to halt operations just before it was due to begin production. A court in the western city of Izmir cancelled the operating licence of Eurogold, a French-Australian-Canadian joint venture, just as it was about to start production, eight years after the company was set up.

Local villagers, supported by politicians and environmentalists have battled for years to close the mine down, arguing that it would pollute surrounding farmland and hurt the region's tourist industry. The mine lies 7 miles from the ancient Greek city of Pergamon, now known as Bergama.

Although Eurogold completed an arduous approvals process in 1994 and independent mining specialists confirm that its cyanide leaching method to separate gold, a process used around the world, was completely safe, it failed to win over public opinion suspicious of foreigners and big business.

Villagers occupied the open pit mine, held unofficial local referendums condemning the project and in September a bomb exploded harmlessly outside Eurogold's offices. Jack Testard, Eurogold's general manager, offered to run the mine for two months under the supervision of scientists to ease the villagers' fears.

However, the court stated that the cyanide-leaching method was "not in line with public benefit". It decided unanimously "to cancel the process subject to this case".

Mr Testard said he had received no official confirmation of the ruling. It is still not clear whether the ruling was final. About 700 villagers brought the case against the environment ministry's approval for the project.

Eurogold is a $46m joint venture between Canada's Inmet Mining and La Source, partly owned by the privatised French geological survey and Australia's Normandy Mining. Eurogold planned to produce about 3 tonnes of gold and 3 tonnes of silver a year. The mine has estimated reserves of 1.38m tonnes at 11.7g per tonne with an identified mineral resource of 2.98m tonnes at 9g per tonne, totalling 860,000 ounces.

Turkey has not produced any gold in recent history, but is believed to have a number of promising sites. Other foreign investors are believed to have been monitoring the Eurogold case before deciding whether to set up projects in Turkey. Analysts believe if Eurogold had received a positive ruling, Turkey could have had five gold mines producing between 12 tonnes and 15 tonnes a year between them within five years.

Changes at the top for AT&T and Coca-Cola

By Richard Tomkins and Richard Waters in New York

Coca-Cola and AT&T, two of the biggest companies in the US, were both preparing yesterday for changes at the top following the death of Coca-Cola's chairman and chief executive and a decision on a successor for AT&T's.

Roberto Goizueta, the highly regarded head of Coca-Cola, died in hospital on Saturday from complications arising from the treatment he was undergoing for lung cancer.

Coca-Cola has made no announcements about a successor, but its directors are expected to choose Doug Ivester, the 50-year-old chief operating officer, who has earned much of the credit for Coca-Cola's rapid growth.

The board is due to meet at the end of this week after Mr Goizueta's funeral in Atlanta. All Coca-Cola offices worldwide will be closed for the funeral tomorrow.

Meanwhile, AT&T is today expected to announce that it has chosen Michael Armstrong, the chairman and chief executive of Hughes Electronics, to succeed Robert Allen as chairman and chief executive.

If confirmed, the appointment would bring Mr Armstrong into AT&T at a time when the company faces the risk of being sidelined by the bid battle between GTE and WorldCom for MCI, AT&T's biggest rival.

AT&T's share of the US long-distance market has slipped recently, along with its earnings, and discussions about a merger with SBC Communications were called off earlier this year after criticism from regulators.

The telecommunications company appointed another outsider, John Walter, as Mr Allen's likely successor 12 months ago. But Mr Walter, a printing company executive, left three months ago after AT&T's board refused to confirm him as Mr Allen's heir apparent.

Mr Armstrong was seen as a candidate early in the search for a successor to Mr Allen, having been in the running last year as well. He has been pitched in recent months against John Zeglis, the most senior internal candidate for the job.

However, Mr Zeglis's lack of operating experience - until he took over as chief operating officer from Mr Walter this summer, he had never run a division of the company - has been seen as an obstacle, a factor that has also caused concern on Wall Street.

Mr Armstrong is not expected to be required to serve the apprenticeship faced by Mr Walter. Mr Allen made it clear when Mr Walter left that he would be prepared to stand aside at once if need be, a gesture that was thought likely to make it easier for the company to attract a successor.

Obituary, Page 22

Ernst & Young and KPMG set to confirm deal talks

By Jim Kelly in London and Neil Buckley in Brussels

KPMG and Ernst & Young are expected to announce, possibly today, that they are in formal talks to merge the firms and create the world's largest professional services group with combined revenues of more than $16bn a year.

Partners of the two global accounting and consultancy organisations were briefed over the weekend about the proposals, which follow last month's announcement that Coopers & Lybrand and Price Waterhouse are also committed to securing a merger.

The merger plans will have to be scrutinised by financial regulators, particularly in Brussels, Washington, and Tokyo, and will need the backing of the majority of partners in the firms involved in each of countries in which they operate.

There is speculation that if the two mergers go ahead - turning the so-called Big Six into the Big Four - some national firms may not join the mergers or even choose to seek partners outside the two global deals envisaged by executives in New York and London.

Critics of the latest merger plan say that substantive talks between the two firms have been under way for about two weeks, suggesting they are a result of the Coopers & Lybrand and PW announcement and that their merger might be designed as a "spoiler".

Attention will now focus on the details of the planned merger, its management structure and on the intentions of the only two members of the Big Six at present not involved in merger talks - Andersen Worldwide and Deloitte Touche Tohmatsu.

Executives at Arthur Andersen, the accounting and business advice arm of Andersen Worldwide, favour leaving the rest of the sector to consolidate.

European Commission officials said the KPMG and Ernst & Young merger - like that of Coopers & Lybrand and PW - was certain to meet the turnover thresholds required for Brussels to vet the case.

When six is a crowd, Page 16

Meyer to give details of Harcros deal

By Andrew Taylor and Andrew Edgecliffe-Johnson

Meyer International, the timber importer and builders' merchant, is expected to announce details this week of its planned £300m-plus ($486m) purchase of Harcros, the UK timber and building supplies business, owned by Harrisons & Crosfield.

The acquisition is expected to be funded by debt and a rights issue. It will make Meyer, which already owns the Jewson chain, the largest builders' merchant in the UK with a market share of about 20 per cent.

The deal is the latest in a series of takeovers and consolidation in the builders' merchant sector which has annual sales of £8bn.

Other groups which had expressed an interest in purchasing Harcros included Wolseley, the world's largest distributor of plumbing and heating equipment.

Wolseley, however, which tomorrow publishes annual figures for the year to the end of July, pulled out of the bidding this autumn, being unwilling to top the Meyer offer.

Meyer made pre-tax profits of £45.4m in the 12 months to the end of March. Heavy costs, mainly associated with reorganising the Jewson chain, had reduced the previous year's pre-tax figure from £37.6m to £1.1m.

The company had net cash of £8.9m at the end of March and is expected to take on more than £200m of bank debt for the Harcros purchase, with the remainder of the deal to be financed by a rights issue.

Harrisons & Crosfield, which last week reported a conditional agreement to sell its US builders' merchant business for about $63m cash, may use this latest announcement to give details of a strategic review by Jonathan Fry, its new chairman.

Having announced the disposal of its US and UK building materials operations, Mr Fry is expected to sell some or all of the group's food and agriculture business to concentrate resources on expanding its speciality chemicals operations through acquisition.

The BOCM Paul's pig farms business is expected to be sold for between £85m and £95m, possibly to George Paul, the former chairman.

That would leave the Edward Baker petfoods business and Paul's Malt – which provides malt for beer – in the food and agriculture division, which analysts also expect to be sold.

The division had sales of £777m in 1996, compared with £632m for builders' merchants and £592m for speciality chemicals.

Schroders is advising Harrisons on the restructuring.

BAA reaffirms 20% discount

By Charis Gresser

BAA, the airports operator, will still offer European passengers a discount of some 20 per cent on alcohol and tobacco, even if duty and tax free shopping in Europe is abolished in July 1999.

The company has lobbied hard against such a move, saying it will not raise more money for the Treasury, but will hit the profits of manufacturers and retailers and cost hundreds of jobs.

It could also mean a potential profit loss to BAA of some £80m ($130m), although £55m of that could be clawed back by an increase in the landing charges that airlines pay BAA.

At the moment, duty-free alcohol and tobacco can mean between 50 per cent and 60 per cent savings on UK high street prices. Shorn of that tax break, however, BAA reckons that volumes could collapse completely unless some discount is offered.

Brian Collie, BAA's group retail director, said the 20 per cent discount would probably be shouldered equally between BAA and its suppliers, and has been factored into the £80m hit which BAA expects to suffer.

BAA reckons that pitching the discount at 20 per cent would probably be enough to allow it to keep up to 30 per cent of its current European duty-free volumes.

Another plan which the company is examining is to reconfigure passenger flows in Heathrow's Terminal 1.

Some 6m domestic passengers flying to UK destinations, are currently segregated from the 6m international passengers, because they are not entitled to duty-free goods. If duty-free is abolished, however, those passengers would have the same rights to benefit from a BAA-subsidised discounts.

By doubling the number of passengers exposed to BAA's full retail offer of some 40 shops, the company hopes to recoup some of the volume loss.

Final review of P&O/Stena plan

By Charis Gresser and George Parker

Karel van Miert, the European Union competition commissioner, has ordered a final review of all the options in the proposed merger of P&O and Stena Line's cross-Channel ferry operations. This will be taken as a signal that the tortuous year-long approval process is nearing a conclusion.

Commission sources stressed yesterday that its position had not been finalised, and that all options remained on the table, ahead of a final decision from Mr van Miert.

Industry observers, however, believe that the Commission team on the P&O/Stena case is broadly satisfied that it can deal with the competition issues by imposing certain conditions on the two companies. These will still need to be hammered out, however, to round the case off.

The views of the case team do not amount to a formal position, and Mr van Miert may disagree with them.

In June, the Commission expressed "serious doubts" about the proposed joint venture.

At the time, industry executives were said to be confident they could meet the Commission's concerns. It is believed these were primarily to do with wanting the new venture to be genuinely separate from P&O and Stena's other operations, including Stena's travel agencies in Germany.

A number of other undertakings have been suggested to ease the passage of the merger. These include limiting berthing slots at Dover and Calais, the two main ports involved in the planned merger, and a possible cap on Channel fares.

The proposed merger would combine P&O and Stena's operations on the Channel into a single fleet of 14 ships.

Once the Commission reaches a conclusion, it is likely to debate this with the UK competition authorities, in order to agree a common position.

P&O and Stena's ferry merger was put on hold last November, when the UK government referred the proposal to the Monopolies and Mergers Commission. The MMC report was delivered to the Department of Trade and Industry on April 4.

The DTI said it would not make any comment on the proposed merger until after receiving the formal decision from the Commission.

Margaret Beckett, trade secretary, will make her own decision based on the Commission's verdict and the report on the merger by the MMC.

However, senior government officials are expecting the Commission to approve the deal, which could be portrayed as bolstering effective ferry competition to Eurotunnel.

Trevor Humphreys

Karel van Miert: will look at all options on the proposed cross-Channel ferry merger

Vanguard mulls over UK entry

By Jonathan Guthrie

Vanguard, the world's second-largest mutual fund manager with assets of $370bn, is considering entering the UK market. Jeffrey Molitor, director of portfolio review at the US-based company, said there were "very interesting opportunities" both in selling funds to private investors and in the rapidly-growing market for money purchase pension schemes sponsored by employers.

Mr Molitor believes that Vanguard would be able to lure retail clients away from existing UK managers with lower charges. The average annual charge on the company's US mutual funds is just 0.3 per cent, and there is generally no initial fee. In contrast, UK unit trust managers levy up to 6 per cent upfront and 1 per cent to 1.5 per cent annually.

Vanguard would target money purchase pension schemes in a bid to win institutional money, Mr Molitor said. Though these are currently estimated to have less than £10bn ($16.2bn) in assets, the total is expected to grow sharply as more and more employers set up the schemes with the aim of reducing pension liabilities.

Mr Molitor said that Vanguard already managed more than £100bn money purchase scheme assets in the US: "This is the market where we have a clear capability, but it is not clear to what extent our skills would be transferable," be said.

The company would offer a similar mix of funds in the UK as in the US. It runs a range of bond funds and index trackers there – the largest of which is the $80bn Index 500 fund. It devolves the running of active equity funds to 21 external managers, including the UK companies Schroder, M&G and Marathon.

Mr Molitor said that if Vanguard decided to enter the UK market "it would not be over a long time-frame – it could be very fast."

Goldman Sachs, the US investment company, is already pressing ahead with its own European expansion. Last year it acquired coal industry schemes worth £15bn.

Goldman, which has $130bn in assets worldwide, registered its Luxembourg-based funds for sale in Germany, Switzerland and Greece, and is seeking the same authorisation in the UK, France, Italy and Austria.

NEWS DIGEST

Insignia to buy Richard Ellis

Richard Ellis Group, the UK property consultancy, has agreed terms for its sale to Insignia Financial, the largest commercial and residential real estate service provider in the US. The deal is subject to approval by the 224-year-old group's 80 shareholders.

Insignia, which is capitalised on the New York stock exchange at about $730m has also made a bid for Richard Ellis International. The proposed acquisition illustrates how property services has become an increasingly global business.

No figure for the total price – which will consist of a mixture of cash and equity – has been disclosed, but is understood to be in excess of £80m ($130m).

"The multinationals have a single global strategy for their property," said Andrew Huntley, chairman of Richard Ellis Group. "A big hole in our operations until now has been the US". Richard Ellis has for instance a long-term instruction with AT&T in most markets except the US. The company also wants to be able to co-invest alongside its clients. "We have not had the capital to do that," said Mr Huntley.

In the year to April 30 1997, the UK operation made pre-tax profits of about £2.5m on sales of £35m. It is in the process of merging with Donaldsons, a specialist in shopping centre management, which will take turnover to more than £50m. The international business had sales of £80m-£90m, according to Mr Huntley, with profits "roughly proportionate".

The deal represents Insignia's first significant incursion into Europe. The group, which through Edward S Gordon has at least a 30 per cent share of New York's commercial and residential real estate market, is likely to seek a dual listing in London in early 1998. Insignia is advised by Lehman Brothers.

Katharine Campbell

■ UK

BTR close to polymer sale

BTR, the industrial conglomerate, is believed to be close to concluding the sale of its polymer products business for some £500m ($810m).

The sale will be the first from the company's £3bn worldwide disposal programme. A consortium, including Legal & General Ventures, is said to be front-runner to buy the business. Both BTR and Legal & General Ventures declined to comment yesterday.

BTR Polymeric Products makes conveyor belts, hydraulic hoses and general rubber goods. It reported sales in excess of £600m last year, and has operations in the UK, continental Europe and Australia. It has been seen as the most likely candidate for a management buy-out.

Other divisions earmarked for disposal include packaging and materials, which is likely to be the company's largest disposal, as well as the company's building products division.

The packaging and materials businesses are spread across three continents and made operating profits of £315m in 1996 from selling glass and plastic bottles, film and Formica worktops.

Analysts believe that trade buyers will be lined up for parts of the packaging operation. Glass packaging, for instance, could attract the attention of rivals such as Owens Illinois, while companies such as Johnson Controls, Constar and Southcorp have been named as possible buyers of the plastic packaging operations.

Charis Gresser

■ CANADA

Falconbridge tumbles 74%

Falconbridge, the Canadian mining concern, has reported a 74 per cent decline in third quarter profits, as a result of falling nickel prices and a three-week strike in August.

The company, the world's third largest nickel producer, reported earnings of C$23.5m ($17m) on revenues of C$519.1m, compared with a profit of C$88.7m and revenues of C$496.1m in the third quarter last year. Analysts had forecast a sharp drop in earnings. Falconbridge was hard hit by falling commodity prices attributed to a flood onto world markets of scrap stainless steel from Russia. Stainless steel is the primary end use for nickel.

Oyvind Hushovd, chief executive, said the strike at the company's facilities in Sudbury, Ontario, heavily contributed to the earnings decline. The 24-day strike cost C$18m, the company said. Mr Hushovd said Falconbridge's plants and mines were now running at full capacity.

Scott Morrison, Vancouver

COMPANIES AND FINANCE

Bass fails to delay Czech deal

By Robert Anderson in Prague

Bass, the UK brewer, failed in its attempt this weekend to delay moves by Nomura, the Japanese bank, to merge two Czech brewers.

Now the company says it is relying on a legal challenge in a Prague commercial court to try to stop Radegast tying up with Plzensky Prazdroj, the country's market leader.

Bass has a 33 per cent stake in Radegast and can block a full merger. But it is currently trying to stop any tie-up between the two ahead of a decision by the competition authorities because it is worried that its market share in the Czech Republic is under threat.

At an emergency general meeting of Radegast on Saturday, Bass failed to persuade shareholders that Radegast's directors should be prevented from signing any production and sales agreements with Plzensky Prazdroj, which Nomura indirectly controls via its impending takeover of IPB bank.

Bass's move is a holding operation to prevent Nomura committing Radegast to an effective merger before the competition authority has ruled. It is counting on the competition authority to block the link-up of the country's two biggest brewers, which would give Nomura a 40 per cent market share, dwarfing Bass's 14 per cent share and putting in question the UK brewer's focus on the Czech Republic.

Bass hopes that a Prague commercial court will find that, by allegedly acting secretly in concert with Prazdroj, Nomura should have its voting rights withdrawn and the bank should be prevented from effectively merging it with Prazdroj.

Mr Graham Staley, Bass's chief in the Czech Republic, told the EGM: "We want the competition office and the Czech courts to resolve these issues and to send a signal to the world that the Czech Republic can be a level playing field."

Bass first bought into Radegast, which has a 15 per cent market share and a 1996 turnover of Kcs2.44bn ($73.9m), in July last year and quickly built up a 33 per cent stake.

In June it offered to buy IPB's majority stake for Kcs6,240 a share and merge the company with Prague Breweries, in which it has a 56 per cent shareholding.

However, in July Nomura agreed to buy a 36 per cent stake in IPB from the Czech government with an option to take majority control.

Earlier this month, IMP, a Dutch trust which is controlled by Nomura, bought IPB's Radegast stake and that of investment funds with which it is associated. Bass alleges the consideration was less than its last offer of Kcs6,500 a share. Nomura denies this but will not disclose the price that it paid.

Nomura believes the competition authority will accept its argument that the link-up will help promote Czech beer exports. For instance, it is considering marketing the breweries' premium brands – Pilsener Urquell, Gambrinus and Radegast – in the 5,400 pubs in Britain that Nomura controls following its purchases last month from Foster's of Australia and Grand Metropolitan of the UK.

It denies claims by Bass that it is preparing to sell the group to a foreign brewer but says that it knows of several that are interested and could help enhance exports. It also says it is prepared to buy out Bass's stake.

Buyers sought for Bank Austria stake

By William Hall in Vienna

The Austrian government is seeking tenders for its 15 per cent stake in Bank Austria, worth Sch5.8bn ($466m), in a desperate bid to fulfil its legal obligation of "privatising" the country's biggest bank before the year-end.

Its decision to rush through one of Austria's biggest privatisation issues comes only days after it announced the sale of up to half its shares in Austria Tabak, in an initial public offering expected to raise more than Sch5bn.

The speed with which it is selling its Bank Austria shares, and the unusual method, is likely to mean it will not be able to raise as much as it might have done.

J.P. Morgan, the government's financial adviser, is seeking bids from international banks for the government's 8.8m ordinary shares in Bank Austria, which are currently held by PTBG, part of the state-owned Post and Telecom business. Tenders must be submitted by October 28 and bidders have to agree to various restrictions on the future ownership of Bank Austria shares.

The government wants an international banking consortium to buy its stake. The consortium has to agree to sell the shares in a secondary offering at a later stage.

Among the various options being considered is the issue of an international bond convertible into Bank Austria shares as early as the middle of next year.

The decision not to sell the shares through a public offer on the Vienna stock exchange is likely to mean the government will have to sell them at a discount to their current price of Sch655. They have already fallen nearly a fifth this year.

The need to privatise Bank Austria this year dates back to the Sch17.2bn sale of the government's controlling stake in Creditanstalt, the country's second biggest bank, to Bank Austria at the start of 1997. Since most of Bank Austria's shares are held by public sector entities, Austria's opposition parties argued that the Creditanstalt deal was not a "proper privatisation".

At one stage the row over Creditanstalt threatened to bring down Austria's coalition government, and this was only avoided by agreement that the government would sell its stake by the end of the year.

However, the government now finds that it cannot fulfil its legal obligation to ensure the "widest possible distribution" of its shares to private persons within the given time frame.

One of the reasons is that Bank Austria has issued a lot of paper already this year. It raised Sch3bn of new capital by more than doubling the number of preference shares in issue and is in the midst of an exchange offer for the rest of the Creditanstalt shares which could lead to a further doubling of the preference share capital and the issue of more than 10m ordinary shares.

In addition, Erste Bank, Austria's second biggest bank, is expected to raise more than Sch6bn in an IPO within the next few months which will further increase the supply of Austrian bank securities on the international markets.

Robert Studer: no intention of resigning

UBS wins round in Ebner fight

By William Hall in Zurich

UBS, the increasingly embattled Swiss bank, has won another round in its long-running legal battle with Martin Ebner, its biggest shareholder.

A Zurich cantonal court has dismissed an action by BK Vision, one of Mr Ebner's investment funds, to block the introduction of a single class of share.

UBS has been trying for three years to modernise its capital structure. The Zurich commercial court had ruled in UBS's favour and the cantonal court has now upheld its decision.

BK Vision has already taken its case to the Federal supreme court in Lausanne which will be the final arbiter. The case is the most important of several legal disputes between Mr Ebner and UBS.

Mr Ebner believes the UBS board of directors has caused the bank "enormous damage", and on several occasions has called for the resignation of Robert Studer, UBS chairman.

There have been several reports in Swiss newspapers over the past week suggesting that Mr Studer's position as UBS chairman was increasingly vulnerable following boardroom blunders in dealing with the sensitive issue of dormant bank accounts of holocaust victims.

However, in a series of newspaper and radio interviews over the weekend Mr Studer said that he had no intention of resigning.

UBS, which used to be regarded as Switzerland's flagship bank, appears increasingly isolated in the Swiss financial community.

It has been overtaken in size by Credit Suisse Group, which had wanted to merge with UBS last year, and which has just taken over the Winterthur insurance group, UBS's former insurance partner.

Cash, a weekly financial newspaper, suggested last week that Mr Ebner, Credit Suisse, and Winterthur, together with other allies, might now control as much as 40 per cent of UBS.

Egypt plans benchmark eurobond

By Mark Huband in Cairo

Egypt yesterday confirmed that it is to issue $300m of eurobonds to establish a sovereign benchmark, giving domestic banks cheaper access to international financial markets.

Seven months after discussions on a eurobond issue were first raised, Kamal el-Ganzouri, the Egyptian prime minister, yesterday approved proposals from the government's economic committee for officials to now enter into discussions with investment banks that will lead-manage the first issue of its kind from Egypt.

"We are an investment grade economy, and we would like to be treated as one, and this will give us an opportunity to show off the financial soundness of Egypt," said Yousef Boutros Ghali, the minister of economy. "Without a sovereign issne the corporates can have access to the [international] markets, but at a higher cost."

The government had been looking at a sovereign benchmark, which would have cost the country 60 basis points more than the London interbank rate, so Egyptian banks would be able to borrow at a cost of Libor plus 100 points. It is unclear whether these targets remain, but the cost to Egyptian banks of borrowing could be as much as 50 points lower once the benchmark has been established.

The issue is expected to take place within eight weeks. Several investment banks that have already expressed interest in lead-managing the issue will be contacted by officials this week, and a decision on which will be selected should be made this month.

"We are going to get in tonch with all the investment banks that have sent us proposals," Mr Boutros Ghali said. "For us, the issue is also a way of checking our foreign and domestic debt, though we are not going to intervene in tha relationship between public sector banks and the debts of public sector companies."

Egyptian banks have eagerly awaited the issue as a means to borrow more cheaply in the international market. The government intends to use the publicity surrounding the issue to advertise the radical transformation of the Egyptian capital market being undertaken in an effort to broaden its appeal to foreign and domestic investors.

"Egypt does need to be more involved in the international market, and the establishment of a benchmark will be a major step," said Amal el-Togby of Misr International Bank.

The bank is currently considering funding proposals from European institutions and views a sovereign benchmark as likely to accelerate its own dealings on international markets.

OBITUARY: Roberto Goizueta

A man of monomaniacal vision

Roberto Goizueta, who has died at the age of 65 was one of the outstanding business leaders of his generation. As chief executive of the Coca-Cola Company since 1981, he built what has become the most valuable brand in the world.

In the process, he generated great wealth for himself and his shareholders. Capitalised at about $4bn when he was appointed to the top job, the company's recent stock market valne was about $150bn.

A persistent, demanding, and impatient man, Mr Goizueta displayed three broad characteristics in his long career at Coca-Cola. Tha first, an unremitting concentration on shareholder value, was demonstrated as soon as he took over the leadership of the company.

At that time, he calculated, Coca-Cola's cost of capital was sbout 16 per cent, considerably higher than the returns being generated by what had been perceived as successful activities. The soda fountain operation, for instance, was making only 12.5 per cent.

"What we thought was a great business was, in fact, a lousy business," Mr Goizueta said later. This led to a reappraisal of all the company's activities. Among other things, the results included a completely different relationship with the bottlers, which had previously operated autonomously at arm's length, and a ruthless focus on the soft drinks side.

There was a brief and profitable diversion into Hollywood, with the acquisition of Columbia Pictures in 1982, subsequently sold on to Sony. But well before it became fashionable to do so, Coca-Cola was selling off its marginal activities and concentrating on its core business.

The second general characteristic of the Goizueta regime was his willingness to innovata. This did not come easily to a company built on a single brand that had been unchanged for the best part of a century. Again, Mr Goizueta was quick off the mark. Diet Coke, launched in 1982, was arguably the most successful new consumer product of the 1980s.

This enthusiasm for change brought big trouble in 1985 with the launch of New Coke, later billed as the marketing blunder of the century. Losing market share in the US to PepsiCo, Mr Goizueta had decided to reformulate the brand. He failed to recognise that for many Americans, the drink had become a symbol of all their nostalgic dreams. The result was national outrage.

Bnt the nightmare was brief. Original Coke was quickly relaunched, and supported by a storm of publicity it soon built up a commanding lead over Pepsi.

Mr Goizueta's third big success was to turn Coke into a truly global brand. The fizzy drink had been available around the world for years, of course, but it was only in the 1980s that the process of globalisation became focused and driven.

Mr Goizueta had what one observer described as a monomaniacal vision. "Our success," he wrota, "will largely depend on the degree to which we make it impossible for the consumer around the globe to escape Coca-Cola."

Born of well to do parents in Cuba, Mr Goizueta studied chemical engineering at Yale, and joined Coca-Cola in 1954. Six years later, he left Cuba shortly before the Castro regime seized the company's bottling operations on the island.

By 1964, he was in a senior position at the Atlanta headquarters, where he built up a close relationship with company patriarch Robert Woodruff, who had ran the business for more than 60 years.

Roberto Goizueta (right) with Doug Ivester, president: turned Coke into a global brand

Mr Goizueta himself always behaved more like an owner-manager than a hired hand. His fortune, estimated recently at $1.3bn, was tied up in Coca-Cola shares, and he was to become one of the few people on the lists of richest Americans who had made their money by working for a long-established business. He said that most of his money would go to charity.

Two years ago, Fortuna magazine published a memorable dialogue between Mr Goizueta and Jack Welch of General Electric. The following quotations, which are taken from that article, capture some of his aggressiveness: in particular, his refusal to accept the idea that the company's growth prospects were limited just because it already hed a large market share.

"Time and again, I have to correct folks who say, 'We grew our volume at 10 per cent and the industry grew at less than that'. I say, 'Well, damn it, we are the industry. Why can't we grow faster?'"

"Now once in a while you have to have a public flogging in the market square. We had to do that in a couple of instances. And I must say, the sound of the whipping – more than the hurt – the sound was what was important."

"I hate to lose. I don't like to lose. I'd rather not play, you know."

"I'd like to say the day that faucet in your kitchen sink is used for what God intended it to be used, then we will have a mature soft drink industry. But until that time arrives, there is room for growth."

Turkey awards power contracts

By John Barham in Ankara

Turkey has awarded three international consortia contracts to build six big power stations, the first step in a privately-financed expansion programme for the country's energy industry that will require investment of $4bn a year for the next decade to help meet accelerating demand for electricity.

The government awarded a group of British, US and German companies and their local partners contracts to build power stations with installed capacity of 5,200MW under new legislation allowing private companies to build and operate power stations under close government supervision.

However, lawyers warn that the legislation imposes too many state controls, making the projects difficult to finance. They expect considerable delays while the winning consortia attempt to negotiate more favourable terms.

Siemens-Steag of Germany won the contract for a 1,000MW coal fired power station in the eastern city of Iskenderun. Britain's National Power is to build a 700MW natural gas-fired unit in Ankara. Intergen, an offshoot of US construction giant Bechtel, was awarded two natural gas-fired plants in the western industrial cities of Gebze and Izmir, each with a capacity of 1,400MW. It also won the contract for a 700MW natural gas plant for the town of Adapazari.

ICB wards off Frontline

By Tim Burt in Stockholm

ICB Shipping, the Swedish tanker operator fighting a SKr3.22bn ($422m) hostile bid from Frontline of Bermuda, yesterday said it had seen off its rival by winning shareholder approval for a friendly $300m merger with Astro Tankers of Greece.

Investors at a six-hour extraordinary meeting on Friday voted comprehensively in favour of the ICB-Astro deal, which Frontline had warned would force it to abandon its SKr115 a share cash offer.

Frontline failed to win sufficient support to block the merger but it reiterated that it would take legal action to prevent ICB forming one of the world's largest independent tanker operators.

Lawyers acting for Frontline, which is quoted in Oslo, said irregularities in Astro's offer document and alleged breaches of Swedish company law gave it sufficient ground for an injunction against the ICB proposal.

It vowed to seek a court ruling against ICB in spite of pleas for negotiations from Lars Erik Forsgath, head of Sweden's small shareholders association, who suggested that Frontline could be offered a place on the board of ICB if it agreed to drop its threat of legal action.

Frontline, which has acquired more than 50 per cent of ICB's share capital and more than 30 per cent of the voting rights, claimed the Astro deal had been forced through by directors who had used voting rights to override the wishes of most shareholders.

ICB rejected that suggestion, and said it had won support for the Astro deal from 90 per cent of the voters attending Friday's marathon meeting.

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FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Simon Davies

Emu and the banking system

The currency and short-term interest rate differentials between 11 European countries is due – and also expected – to vanish in 430 days. And one of the less obvious repercussions of Economic and Monetary Union could be the creation of a vast and liquid European capital market, presenting an enormous challenge to the existing banking system.

At present, bank loans in Germany total about 100 per cent of gross domestic product, whereas in the US it is just over 40 per cent. The difference is accounted for by the US's vast, unified and liquid capital market, which has absorbed much of the traditional lending activity of the banks.

Credit Suisse First Boston estimates that if the EU moved in line with the US, the European capital markets would have to grow by almost $3,000bn. A working paper from the International Monetary Fund has more conservatively estimated a potential flow of $2,000bn into the debt and equity markets, but this still represents one-third of European banks' corporate loans. Either way, the impact on bank profitability would be enormous.

There have been numerous impediments to the development of a significant European corporate bond market. The evolution of private pension funds has been slow. Many institutions have been legally restricted to their domestic markets for the bulk of investment. Moreover, cross border activity has concentrated on big currency or interest rate bets in the government bond markets. Domestic corporate debt has been tied np by traditional bank relationships.

Much of that will change with the removal of currency barriers after Emu. German insurers will still be restricted on foreign investments even after the removal of currency risk. But Emu will create a substantial homogeneous pool of funds available for investment in Euro-denominated bonds. And with the virtual eradication of intarest spreads within the European government bond markets, there will be significant demand for higher yielding corporate bonds.

As Giles Keating, chief global economist at CSFB, said: "In the past, investors have been able to diversify across sovereign markets. Fund managers must look for different ways of outperforming, and they will have to go up the credit curve." So the demand should be there.

A substantial capital market should price loans more efficiently, and as margins on capital markat activity fall with higher volumes and removal of currency risk, it will become increasingly attractiva to corporate borrowers.

As Joanne Perez, senior strategist at Merrill Lynch, argues: "Disintermediation away from European banks is going to be substantial over the next five years."

This will be good news for investment banks – particularly the US banks who dominate their domestic bond market and have global distribution – and larger European banks with capital markets expertise. Indeed, losing blue chip clients' loans to the capital market may be no bad thing, given the minimal margins on such loans.

Smaller regional banks may also survive relatively unscathed – most of their corporate clients may be too small to tap the capital markets, even as the nascent European junk bond – or high yield – debt market takes off.

But for a large slice of the European banking sector, there could be a substantial loss of business from corporate clients who before had no choice on where to go for funding. And it will coincide with the loss of cross-border foreign exchange profits, and the erosion of market share of their domestic bond markets.

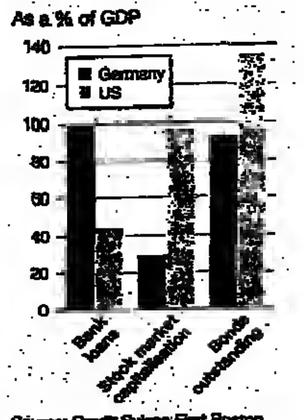
John Langton, chief executive of the International Securities Market Association, said: "Many of the French, German and Italian banks do not have the position and expertise in investment banking to make this significant transition." The key for banks losing their loan business, will be to replace it with fee income from handling bond issues.

Of course, this process is more likely to be evolution than revolution. A senior fixed-income fund manager argues: "I think it may be a glacial process. Given the corporate connections of the banks, one wonders to what degree they will be able to slow the process down."

But ultimately, European banks will have to adjust. If European governments do not relax labour laws and enable a spate of mergers driven by efficiency gains – as opposed to the "revenue enhancing" mergers that have emerged so far – then European banks will be ill-prepared for the raising of competitive barriers.

Room for growth

As a % of GDP



Source: Credit Suisse First Boston

Total return in local currency to 16/10/97

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.01	0.06	0.07	0.13	0.14
Month	0.47	0.05	0.27	0.28	0.56	0.60
Year	5.86	0.65	3.22	3.73	7.56	6.84
Bonds 3-5 year						
Week	0.04	0.10	–0.38	–0.55	0.36	0.40
Month	0.37	0.36	–0.96	–1.10	0.69	0.72
Year	7.41	4.46	3.91	4.19	14.33	7.89
Bonds 7-10 year						
Week	0.04	–0.05	–0.52	–0.67	1.08	0.26
Month	0.50	1.25	–0.32	–0.96	2.32	1.69
Year	8.99	9.88	9.26	8.27	25.04	13.16
Equities						
Week	–1.5	0.7	–2.8	1.1	6.5	1.5
Month	1.4	–0.7	5.4	2.3	7.4	6.8
Year	38.2	–10.8	49.1	40.3	71.2	33.2

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Ltd. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Philips set for sharp increase

Philips, the Dutch electronics group, is expected to report third-quarter net profit from ordinary operations of between Fl 563m and Fl 830m ($420m), up from Fl 123m a year earlier. Analysts say the results – expected on Thursday – should show an all-round good picture, with lighting, consumer products and professional products and systems all producing better results and a strong recovery for semiconductors.

Arjan Dibbets of MeesPierson is expecting net profit from ordinary operations of Fl 643m, putting earnings per share on the same basis up at Fl 1.81 from Fl 0.36 a year earlier. But he cautioned that this forecast was compiled before recent disappointing results from companies like SGS-Thomson Microelectronics – and that if results from Philips' components and semiconductors division are also disappointing, the overall earnings figure may be a bit lower.

On top of the ordinary result, Mr Dibbets predicts that Philips will report a book profit of about Fl 800m-Fl 900m from its sale of shares in Taiwan Semiconductor Manufacturing.

Some book profits will also come from the sale of shares in Viacom. "I don't know exactly how much that will be but it will not be a very large amount," he said. "This means that Philips' bottom line net will easily come out well over the Fl 1bn mark."

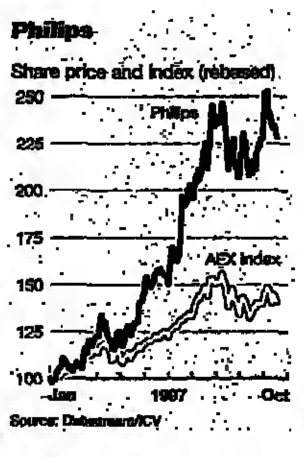
Frits de Vries of Theodoor Gilissen Bankiers said he was expecting lower net profit from ordinary operations of Fl 563m or Fl 1.60 a share, with a lower book profit of about Fl 500m from the TSMC sale and less than Fl 100m from Viacom. Mr de Vries said the tax bill would be higher at about 25 per cent, trimming the overall result.

Peter Wortel of Dalta Lloyd Bank is the most bullish of the three, predicting net profit from ordinary operations of Fl 830m. He expects results from semiconductors to contribute a large part of the increase.

AFX, Amsterdam

Philips

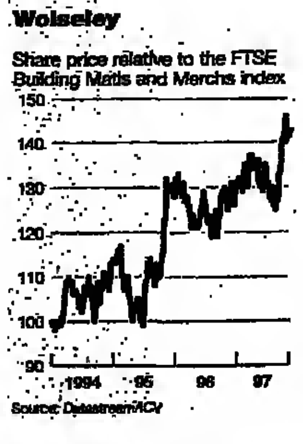
Share price and index (rebased)



Source: Datastream/ICV

Wolseley

Share price relative to the FTSE Building Matls and Merchs index



Source: Datastream/ICV

■ Norsk Hydro, the Norwegian industrial conglomerate, is today expected to report pre-tax profits of between Kr8.41bn and Kr8.83bn ($1.25bn) for the first nine months of the year. The results, which compare with Kr8.4bn a year earlier, will focus attention on the agriculture division of the oil, chemicals, agriculture and light metals group.

Analysts say that income from the division's fertiliser sales are expected to determine whether the company's profits are flat or a little higher. Norsk Hydro's light metals division, which includes aluminium and magnesium production and sales, is expected to see a significant gain in the third quarter, compared with the same period last year, as a result of better prices.

NatWest Markets expects to see pre-tax profits of about Kr8.4bn for the nine months. It forecasts operatingincome at Kr8.6bn against Kr7.89m for the same period last year, with net profits at Kr4.3bn (Kr4.19bn).

AFX, Oslo

■ SAP, the German business software specialist, is expected to announce on Wednesday that its pre-tax profits rose by between 55 per cent and 61 per cent in the nine months to September. Analysts predict that the profits will be between DM788m and DM820m ($467m), against DM509m a year earlier.

The company is not expected to disappoint investors even though expectations are running high after it released a bullish preliminary statement earlier this month. The stock was the only gainer in DAX 30 floor trading on Thursday after Deutsche Morgan Grenfell upgraded the stock for US investors, but it shed those gains on Friday as investors booked profits.

AFX, Frankfurt

■ Volvo, the Swedish car manufacturer, is expected to report nine-month pre-tax profit of Kr10.59bn ($1.4bn) down from Kr12.029bn a year earlier. However, analysts said the results – due on Wednesday – are expected to show an increase in profit before non-recurring items.

Profits will include capital gains – which could total Kr4.1bn from the sale of shareholdings in Pripps Ringnes, Scandinavian Airlines Systems, and Renault. Last year's figures included a capital gain of Kr7.8bn from the disposal of shares in Pharmacia & Upjohn.

Analysts expect Volvo to report improved nine months' results in all divisions, but especially in its car and truck operations – due mainly to higher volumes and a more favourable currency situation.

AFX, Stockholm

■ A strong US economy is expected to have lifted pre-tax profits of Wolseley, the world's largest distributor of heating and plumbing equipment, to £260m-£265m ($429m) in the 12 months to the end of July. The company, which publishes its annual figures tomorrow, made £242.9m in the previous 12 months.

Markets in continental Europe are likely to have been more lacklustre with German and French construction markets in decline. In the UK, the company should have benefited from a strong housing market in south-east England, although the recovery has been more sluggish outside of the region.

INTERNATIONAL EQUITIES By Vincent Boland

Focus will be on France Telecom

Today is a watershed in French capital markets, as France Telecom makes its debut on the Paris and New York stock exchanges after the country's most successful privatisation.

A hefty premium looks set to await investors as dealings begin – the shares have been trading at about FFr210 ($36) in the grey market, compared with FFr187 per share institutional offer price. "This one looks set to go," said one banker in the syndicate that placed the shares.

He added that given the volume of unfulfilled demand for the stock in the book building process – institutions applied for some FFr400bn of shares, about 20 times the amount available – a seller's market was virtually guaranteed.

There is unlikely to be a shortage of sellers. Nearly 4m people applied for the retail tranche of the stock, attracted by its familiarity and by the FFr5 a share discount available to private applicants.

A strong opening for France Telecom today would give a timely boost to the big secondary offering of shares in Telecom Italia, for which the maximum price was due to be announced last Saturday.

The company's shares have been drifting on a weak Milan share market, which was hit by the temporary ousting of prime minister Romano Prodi's government. However, Telecom Italia's share price weathered the political crisis well, trading at about L11,165 ($6.49) on Friday, just 7 per cent below its all-time high, reached in late July. Observers said the maximum price was likely to be close to that level.

When pricing the Telecom Italia issue, Treasury officials in Rome and their bankers can look to the pricing of Portugal Telecom 10 days ago. The third tranche of shares in that telecoms company was priced at Es7,470 ($42) a share, a discount of just 0.8 per cent on the previous close. The new Portugal Telecom shares ended their first day of trading at Es7,520, a small but not negligible gain in a falling market.

Despite the estimated $10bn size of the Telecom Italia offering, Italian officials who visited London last week with the investor roadshow expressed quiet optimism that it would be a success, playing down the political problems. Indeed, as they pointed out, the disposal of the state's remaining stake in the company would mean at the very least that it should be immune to future political eruptions in Italy.

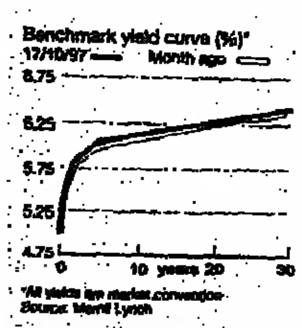
Somewhat lost in the crush of telecoms offerings, and in the euphoria surrounding the series of pan-European mergers announced on the same day, was the flotation last Monday of the final tranche of shares in Lufthansa, the German airline.

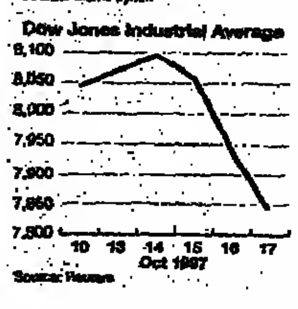
Lufthansa was another tightly-priced issue, at DM33.30 ($19) a share, DM0.50 below the closing level of the shares on the previous Friday. The price was seen as being broadly neutral for the market, and there was the slimmest of opening-day premiums, with the shares closing at DM33.40 in Frankfurt.

The only cloud on the privatisation horizon was on Endesa, the Spanish power group. Enersis, its Chilean partner, is seeking to renegotiate their strategic alliance. Endesa insisted the hitch, which came on top of relatively subdued demand for the company's $5.4bn share offering, would not affect the sale process. The offer has already been scaled down from a maximum 35 per cent to 25 per cent of the company's shares.

MARKETS: This Week

NEW YORK By Richard Tomkins





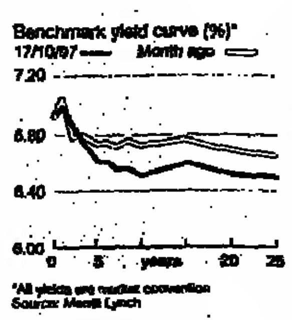
Federal Reserve chairman Alan Greenspan's cautionary remarks about the economic outlook seem to have knocked the confidence out of US markets. On Friday, the last trading day before yesterday's 10th anniversary of the 1987 stock market crash, the Dow Jones Industrial Average ended more than 90 points down at 7,847.03 amid a sell-off of technology stocks and worries about interest rates, while the 30-year Treasury bond shed ⅞, driving its yield up to 6.44 per cent.

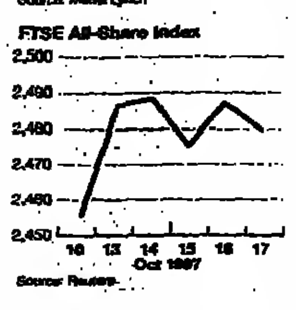
The markets seem to have accepted that the combination of strong growth and low inflation cannot last indefinitely, and a rise in interest rates will be needed to keep inflation at bay. Robust economic data last week reinforced the jitters, even though the increase in the consumer price index remained tame, leading to speculation that a monetary firming could become necessary before the end of the year.

This week is a quiet one for important economic data: the main figures are those for the US trade deficit, due tomorrow, with economists surveyed by Standard & Poor's *MMS* research service predicting a slight narrowing in the deficit to $10bn, with a seasonal improvement in net services receipts offsetting an import-led deterioration in the merchandise balance.

For equities, attention is likely to focus on a further week of third-quarter results. There have been few big disappointments so far this season but Intel's warning last week about fourth-quarter prospects shook confidence in the technology sector, and even companies that matched or beat analysts' forecasts were being pummelled.

LONDON By Philip Coggan





The start of the new order-driven trading system will be the main event on the minds of finance professionals today. Despite extensive tests, there is nothing like seeing a system operate in real life and traders will be hoping for a relatively calm start to the week. The superstitious will worry that the 1987 crash happened 10 years ago yesterday.

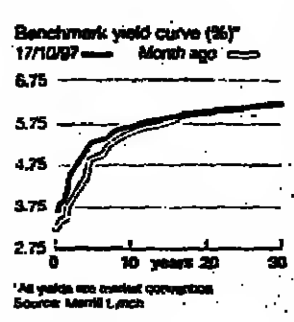
The main economic news will come later in the week, in the form of tomorrow's industrial trends survey from the Confederation of British Industry, Wednesday's retail sales numbers and Friday's preliminary estimate of third-quarter gross domestic product. Receot data have hinted at a slowing down in domestic economic growth; confirmation of such a trend would help both bond and equity markets by reducing interest rate fears.

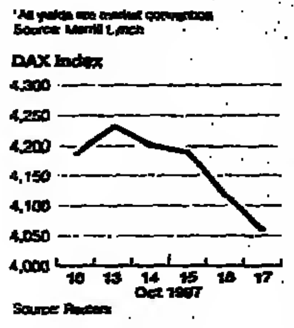
"The burning question is whether there has been any sign of a reaction to the monetary tightening seen over the summer," said Nigel Richardson, head of bond researcb at Yamaichi International (Europe).

International treods have been rattling the UK market in receot weeks, particularly the interest rate rises in Europe and the fear of a similar move in the US. The main overseas data of the week will be German consumer prices numbers, expected on Friday.

But economic worries will be forgotten if the corporate sector can keep producing the range and scale of acquisitions and mergers that it did last Monday. It is hard for investors to be concerned about the direction of the overall market when they are searching for the next takeover target.

FRANKFURT By Andrew Fisher





The German stock market is likely to take its cue from Wall Street this week, having failed to shake off the sluggishness that followed its steep rise up to the summer. The DAX blue chip index managed to stay above the 4,000 level on Friday, but investors are still digesting the full implication of the Bundesbank's interest rate rise earlier this month.

Since the bank clearly had the future credibility of European monetary union in mind when making its decision, attention has now turned to when the next increase in the securities repurchase rate will occur.

UBS Global Research expects a further 20 basis point rise in the repo, now at 3.30 per cent, in December when the Bundesbank sets its 1998 money supply target.

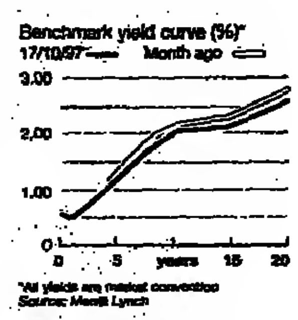
At IBJ Research, Adolf Rosenstock said the tardy response of industrial investment to the export surge and still sluggish domestic demand might delay the next rate rise until early 1998.

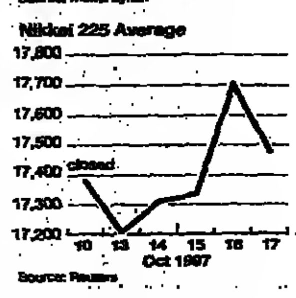
But if the recovery was healthy and seemed likely to push up inflation in Europe, it could come earlier. "That," said Mr Rosenstock, "would documeot the unwillingness to tolerate any inflationary pressure in the run-up to Emu."

The scale of future rate rises could also be influenced by the decision on Emu membership in May. If Italy is included, the bank might tighten rates somewhat more to ward off doubts over the future euro's stability, he added.

On the corporate side, the market will have nine-month figures from SAP and the two merging Bavarian banks (Bayerische Vereinsbank and Bayerische Hypothekeo und Wechsel-Bank) to absorb this week.

TOKYO By Gwen Robinson





The government will announce its package of economic stimulus measures today, although details were widely leaked last week.

It is likely to contain modest corporate tax cuts, further deregulation in distribution and telecommunications and property-related reforms – steps which the markets have already factored in.

They may bring medium-term structural benefits, but do little to address short-term cyclical problems, notes Richard Jerram, economist at ING Barings in Tokyo.

"As much as anything, the government hinting that it will not sit idly by and let the economy disintegrate is important," he said. The upward course of Japanese government bonds indicates investors are pricing in recession and deflation. If the government shows it will fight such trends, JGBs may reverse course, he added.

The September trade balance, also to be announced today, is expected to show another steep rise in Japan's exports. Concern about trade friction has been further fuelled by the dispute over Japanese access to US ports.

In equities, the main issue is whether the Nikkei 225 index can stay above 17,000 given its recent erratic performance. After sliding last Tuesday below 17,000 for the first time in more than two years, it surged more than 370 points on rumours that the government may reinstate Y2,000bn worth of personal tax rebates, before falling back to close the week at 17,476.42, down 229.07 points.

Analysts say any rise this week will be mainly on technical factors and ongoing attempts by public funds to support the index.

COMMODITIES By Susanna Voyle

Oil traders watch for news from Iraq

Oil traders will be watching for further news from the Middle East this week after Friday's jump in world futures prices.

The price of crude oil rose in New York and London on worries that a row between Iraq and the UN over sanctions could hit supplies.

Oil markets took fright on Thursday at a belligerent Iraqi response to a threat of new UN sanctions that would bar travel for members of its military and intelligence services. Iraq said it would drop all co-operatioo with arms inspectors if the new sanctions were imposed.

The upwards move in oil prices gained momentum on Friday when Nizar Hamdoon, Iraq's ambassador to the UN, repeated the threat, and opened the possibility that the sanctions would affect the oil-for-food deal.

Forecasts of colder weather in the US also belped boost prices, as did Kurdish factional fighting in northern Iraq.

In afternooo trading on London's International Petroleum Exchange tbe benchmark Breot Blend December contract was up 64 cents at $20.56 a barrel.

The two days of rises at the end of last week meant prices had regained all the ground lost in a sbarp sell-off earlier in the week, wben institutional investors in the New York market liquidated "long" positions – taken effectively as a bet that oil prices would rise.

One broker in London said the oews from the UN had been behind the IPE rally.

"That was the story that was to an extent talked about overnight and which prompted the market to rally," be said. "We were due up 20 ceots ... and then it was repeated on the screen."

He added that people covering sbort positions – bets that the market would fall – ahead of the weekend belped pusb the price higher.

Crude prices spiked to a nine-month high at the start of October after a Turkish incursion into Kurdish-beld Iraq and on Iranian air attacks on opposition militia bases near Baghdad. A speculative flurry took prices out of the $18-$20 range they had held throughout the spring and summer.

CURRENCIES By Simon Kuper

Japanese package may help support yen

Even the Japanese government now believes its economy is in trouble. Japan tried to cut its budget deficit in the middle of an economic slowdown, partly by increasing its sales tax, with disastrous effects. Gross domestic prodnct shrank by 2.9 per cent in the quarter to June.

Today the ruling Liberal Democratic Party presents a fiscal stimulus package aimed at reviving the economy. Foreign exchange traders will be watching closely.

They expect only a modest package, which would have little impact on the economy, now that Japanese politicians have ruled out a Y2,000bn income tax cut. But any hints at subsequent fiscal measures, to follow perhaps in a supplementary budget, could help the yen. The currency now stands at about Y120 to the dollar.

So far trade tensions between the US and Japan have buoyed the yen. The latest dispute is about Japan's supposedly restrictive port practices.

As long as these tensions continue, and Japanese and US trade figures today and on Tuesday show that Japan's trade surplus continues to grow, the yen should retain its support.

Another key question is whether Germany will follow its repo rate rise of earlier this month with another increase soon. German prices bave been rising lately, prompted partly by the country's economic recovery and partly by the D-Mark's weakness against the dollar. Producer and import prices for September, both released this week, should fuel the debate. Tomorrow's Ifo survey of the west German business climate for September should reveal more about the strength of the recovery.

There will be little US economic data this week to sway the market as to wbether or not the Federal Reserve will raise interest rates this autumn. Traders are currently divided on the subject.

The main UK figures will be retail sales for September, released on Wednesday. However, these will be badly distorted by the funeral of Diana, Princess of Wales, which closed shops for half of the first Saturday of the montb. Deutsche Morgan Grenfell predicts that sales will fall 1.2 per cent, despite the robust UK economy.

OTHER MARKETS Compiled by Jeffrey Brown

PARIS

France Telecom shares make their stock market debut today and to judge by the buoyancy of the grey market a bealtby premium looks assured.

The shares go straight into the leading CAC 40 index with a weighting of 8 per cent. As a result, institutional demand has been massive, with the index tracking funds in particular falling over themselves for a slice of the action. Against application prices of FFr182 to FFr187, shares have been changing hands in the grey market at about FFr210.

Equities marked time last week in relatively dull trading volume in spite of a high level of corporate activity. Lafarge bid FFr16bn for Redland of the UK and AGF found itself on the receiving end of a FFr55bn offer from Generali of Italy. Takeover stories abound. A French counter-bid for AGF is confidently predicted by brokers.

This week's results include interims from L'Oreal following strong sales last week from drugs offshoot Synthelabo. GAN, the state-owned insurance group earmarked for privatisation, puts out its six-month results on Wednesday.

HONG KONG

Investors in Hong Kong will be focusing on Thursday and the debut of the territory's biggest IPO – the US$4bn issue from China Telecom, part of the Ministry of Posts and Telecommunications. Take-up was weaker than had been expected but the retail price was still fixed towards the upper end of the range at HK$11.68.

Tbere is concern that funds could be sucked out of other China-related stocks to move into China Telecom. Red chips and H-share indices bave been falling in recent weeks, although both rallied strongly on Friday. The Hang Seng China-Affiliated index of red-chip stocks jumped 9.1 per cent.

Beyond that, brokers say the background remains bleak and expect further volatility and a downward trend in the benchmark Hang Seng index. Weakness on Wall Street, jitters in the local property market and the regional currency crisis are all conspiring to undermine investor confidence.

The market slide bas pushed the p/e ratio on the Hang Seng index down to around 11 times. This is seen as an attractive level by some brokers.

STOCKHOLM

This week sees the start of tbe third-quarter reporting season with a barrage of figures from Sweden's largest companies, led by engineering group SKF on Monday.

Analysts are expecting some sparkling results. The export-dominated corporate sector has been thriving on a strengthening dollar and Europe's economic recovery.

Investors will look closely at results from mobile telepbone group Ericsson on Thursday, which are expected to show earnings up by a spectacular 60 per cent.

However, according to Christian Diebitsch at Paribas, investors are more concerned by what happens on Wall Street.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BAT (UK)/Zurich (Switz)	Merger (US/Switz)	Fin services	$18.4bn	BAT restructure
Wolters Kluwer (Netherlands)	Reed Elsevier (UK/Netherlands)	Publishing	$16bn	Share swap
Assicurazioni Generali (Italy)	AGF (France)	Insurance	$9.2bn	Italian record
Merita (Finland)/ Nordbanken (Sweden)	Merger	Banking	$5.2bn	Nordic giant
Lafarge (France)	Redland (UK)	Building	$2.67bn	Hostile offer
Federal-Mogul (US)	T&N (UK)	Auto components	$2.4bn	Agreed bid
Frontline (Bermuda)	ICB Shipping (Sweden)	Shipping	$461m	Raised again
BTR (UK)	Exide Electronics (US)	Supply systems	$352m	Agreed buy
Hutchison Whampoa (HK SAR)	Western Wireless (US)	Telecoms	$322m	Taking 25%
Usinor (France)	Fer de Charleroi (Belgium)	Steel	$273m	Taking control

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, October 17, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7680.03	4750.00	2685.50	3954.71
Albania	(Lek)	237.960	147.175	83.2106	122.534
Algeria	(Dinar)	96.2025	59.5000	33.6405	49.5378
Andorra	(French Fr)	9.5399	5.9313	3.3535	4.9382
	(Sp Peseta)	241.355	149.275	84.3981	124.282
[illegible]					
Estonia	(Kroon)	22.8780	14.1496	8.0001	11.7807
Ethiopia	(Ethiopian Birr)	10.8135	6.6880	3.7813	5.5682
Falkland Is	(Falk £)	1	0.6185	0.3497	0.5149
Faroe Is	(Danish Krone)	10.8922	6.7367	3.8088	5.6087
Fiji Is	(Fiji $)	2.3433	1.4469	0.8194	1.2086
Finland	(Markka)	8.5812	5.3074	3.0007	4.4187
France	(Fr)	9.5889	5.9313	3.3535	4.9382
Fr. Cty/Africa	(CFA Fr)	958.990	593.130	335.345	493.818
Fr. Guiana	(Local Fr)	9.5889	5.9313	3.3535	4.9382
Fr. Pacific Is	(CFP Fr)	172.200	106.509	60.2188	88.6782
Gabon	(CFA Fr)	958.990	593.130	335.345	493.818
Gambia	(Dalasi)	16.2546	10.0533	5.6840	8.3700
Germany	(D-Mark)	2.8597	1.7687	1	1.4725
Ghana	(Cedi)	3613.67	2235.00	1263.64	1860.79

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.6185	0.3497	0.5149
Greece	(Drachma)	448.652	277.485	156.889	231.026
Greenland	(Danish Krone)	10.8922	6.7367	3.8088	5.6087
Grenada	(E Carib $)	4.3655	2.7000	1.5266	2.2479
Guadeloupe	(French Fr)	9.5899	5.9313	3.3536	4.9382
[illegible]					
Morocco	(Dirham)	15.6212	9.6615	5.4625	8.0439
Mozambique	(Metical)	18595.7	11495.0	6489.12	9570.39
Namibia	(S A Rand)	7.5803	4.6945	2.6542	3.9085
Nauru Is	(Australian $)	2.2051	1.3638	0.7711	1.1355
Nepal	(Nepalese Rupee)	95.3133	58.9500	33.3298	49.0800
Netherlands	(Guilder)	3.2220	1.9928	1.1267	1.6591
N'nd Antilles	(A/Guilder)	2.8942	1.7900	1.0120	1.4903
New Zealand	(NZ $)	2.6210	1.5592	0.8818	1.2982
Nicaragua	(Gold Cordoba)	15.7876	9.7644	5.5207	8.1298
Niger Rep	(CFA Fr)	958.990	593.130	335.345	493.818
Nigeria	(Naira)	36.3864o	21.8880	12.3741	18.2216
	(Naira)	132.360m	81.8750	46.2911	68.1687
Norway	(Nor. Krone)	11.4818	7.0887	4.0078	5.8018
Oman	(Rial Omani)	0.6224	0.3850	0.2176	0.3205

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)(4)	71.1511	44.0060	24.8804	36.6381
Panama	(Balboa)	1.6169	1	0.5654	0.8325
Papua New Guinea	(Kina)	2.3165	1.4327	0.8100	1.1928
Paraguay	(Guarani)	3516.65	2175.00	1229.72	1810.84
Peru	(New Sol)	4.2742	2.6435	1.4946	2.2009
[illegible]					
Vatican	(Lira)	2792.96	1727.41	976.665	1438.19
Venezuela	(Bolivar)	805.677v	498.300	281.732	414.870
Vietnam	(Dong)	19112.8	11821.0	6683.44	9841.81
Virgin Is-British	(US $)	1.6169	1	0.5654	0.8325
Virgin Is-US	(US $)	1.6169	1	0.5654	0.8326
Western Samoa	(Tala)	4.2115	2.6048	1.4727	2.1687
Yemen (Rep of)	(Rial)	221.508r	137.000	77.4580	114.062
Yugoslavia	(New Dinar)	9.2298	5.7084	3.2275	4.7527
Zambia	(Kwacha)	2180.92	1336.50	755.640	1112.73
Zimbabwe	($)	19.8954	12.3050	6.9571	10.2448
ECU	(ECU)	1.4544	0.8995	0.5086	0.7489
SDR	(SDR)	1.16240	0.731300	0.413500	0.608900

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Name changed from Zaire on May 19th 1997, currency scheduled to change to Congolese Francs (3) Guinea-Bissau adopted the CFA Franc to replace the Peso on 1/5/97 (4) Pakistan Rupee devalued by 8% on 16/10/97: FT enquiries to Business Research Centre 0171 256 5130. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365. To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls are charged at 50p per minute at all times. Friday, October 17, 1997

MARKETS: This Week

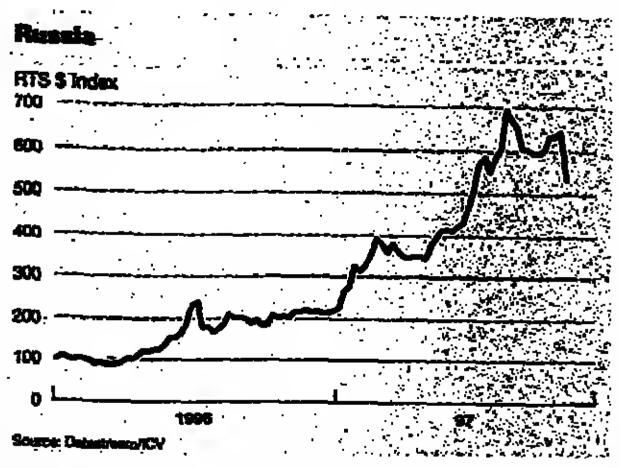
EMERGING MARKETS By Jeffrey Brown

Russia keeps up momentum

Eastern Europe remains an exciting place for equity investors. The region has become more volatile, with two notable setbacks this year, but Russia, by far the biggest market in the region, continues to move upwards and a number of smaller, newly-emerged centres hava sprung to prominence.

If anything, the overriding lesson of 1997 is that stock market selection has become as important as actual stock picking. Now that the initial explosion of economic and financial reforms is over, business cycles among individual countries are taking on more formal patterns.

The performance tables reflect this. Russia and Hungary may have dropped down a gear, but their stock markets continue to rise rapidly. In contrast, the Czech Republic and Poland have floundered into something of a currency quagmire. So far this year, both have moved into reverse.



Source: Datastream/ICV

Dollar-adjusted, tha local indices in Russia and Hungary have put on 175 per cent and 60 per cent respectively this year after expanding by 130 per cent and 350 per cent in 1996. The Czech Republic marked time last year and is down 16 per cent to date in 1997. Poland, up 65 per cent in 1996, is just about level pegging this year.

The pattern of performance outside the big four stock markets has been equally volatile. Romanian equities have more then quadrupled this year and the Estonian market has doubled. At the other end of the charts, Slovakia and Lithuania have both lost ground, largely as a result of currency weakness against the dollar.

A lack of critical mass dictates that many east European markets are going to remain ultra-volatile.

Russia, for example, has a stock market capitalisation of about $100bn, which puts it roughly on a par with India or half the size of Malaysia after this year's big shake-out for Asian equities. Hungary, the smallest of the big four, does not quite reach $10bn.

"On the low base numbers that we see in the region, sudden changes in investment flows or economic direction are always going to have a disproportionate impact. Poor liquidity in most markets means that the game of trying to stay one jump ahead is a tough one", says one regional specialist.

However, trading volumes this year have improved strongly and a number of markets have displayed growing maturity. Volumes in Hungary are running some 50 per cent higher than a year ago.

Corporate dynamism is said to be the immediate key to Hungary's success. "The quality of management is very high and this has allowed the stock market to rise above the economic stresses. There is a good measure of political support too for business", says Romona Gupte of fund managers Foreign & Colonial.

One clear measure of this is direct investment into Hungary so far this year, which at $1.4bn is up 15–17 per cent year-on-year.

Ms Gupte expects a strong recovery by the Polish market. Flood damage earlier in the year was severe and the recent elections have created uncertainty, but the recent trend has been encouraging for equities. Over the past three months, the local Warsaw index has risen about a fifth in dollar terms.

The economy is expanding rapidly, with real gross domestic product up 8.2 per cent in the second quarter of 1997 and company profits are surging. At about 10 times, Poland's 1997 price earnings ratio is just about the lowest in eastern Europe.

Russian accounting remains stubbornly opaque and the Moscow market continues to lean on its asset attractions rather than theoretical earnings calculations.

Russia's massive natural resources are a bedrock for investors. The political risks have stabilised and economic reforms look to be solidly in place.

According to Daiwa Securities, Russian equities "remain one of the world's best investment opportunities over the medium to long term".

A currency devaluation, which wiped 13 per cent off the dollar value of Czech assets overnight in May, and a ballooning budget deficit have continued to push the Prague stock market to the bottom of the east European rankings. The outlook remains cloudy, with political uncertainty possibly back on the agenda in the short term. As part of a move to rein back the government budget, increases of 80 per cent in household energy prices are planned for the next two years.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: Oct 16 1997	% Change over week	% Change on Dec '96
Latin America	(247)	784.22	+0.2	+45.8
Argentina	(30)	1,254.35	+1.1	+32.0
Brazil	(68)	609.30	−0.9	+53.7
Chile	(46)	744.56	−1.8	+20.1
Colombia[1]	(14)	907.73	+1.3	+43.4
Mexico	(63)	833.18	+1.9	+57.3
Peru[2]	(17)	250.07	0.0	+27.1
Venezuela[3]	(9)	1,138.33	+1.4	+56.4
Asia	(708)	162.85	−4.1	−35.6
China[4]	(27)	71.75	−7.3	−2.7
South Korea[5]	(156)	61.26	−5.6	−20.7
Philippines	(42)	147.66	+2.4	−49.7
Taiwan, China[6]	(90)	155.30	−5.7	+1.3
India[7]	(77)	99.71	+2.0	+26.6
Indonesia[8]	(49)	67.49	−4.3	−47.1
Malaysia	(147)	168.25	−5.2	−50.0
Pakistan[9]	(28)	278.70	−1.6	+42.4
Sri Lanka[10]	(5)	130.79	−1.9	+37.8
Thailand	(67)	98.73	−0.1	−55.4
Euro/Mid East	(258)	178.15	+2.2	+31.2
Czech Rep	(5)	69.17	+1.2	−1.4
Egypt	(16)	102.78	−1.5	–
Greece	(54)	403.75	−0.1	+66.6
Hungary[11]	(12)	313.14	+4.5	+59.2
Israel	(40)	131.17	+0.8	+31.2
Jordan	(7)	212.42	−3.6	+13.8
Morocco	(5)	131.28	−0.8	–
Poland[12]	(29)	764.18	+4.0	+4.4
Portugal	(28)	206.62	−0.4	+41.4
Russia	(15)	201.41	+3.7	–
Slovakia	(5)	104.72	−0.7	–
South Africa[13]	(61)	227.02	+0.8	+8.8
Turkey[14]	(57)	336.47	+8.2	+125.6
Zimbabwe[15]	(5)	544.24	+2.4	+15.0
Composite	(1,213)	308.79	−0.6	+4.7

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

INTERNATIONAL BONDS By Simon Davies

BoE argues case for junk bond market

Given the high profile collapse of the US junk bond market in the early 1990s, it is perhaps surprising that Bank of England officials want to see one develop in the UK. Europe's only attempt at a junk bond market was in Switzerland, and that also collapsed under a mountain of defaults from issuers such as Polly Peck.

Nonetheless, a BoE report points out that European companies have raised substantially more in tha US junk bond market than through European high-yield issues, despite high issuing costs and the need for currency swaps. It says this suggests underlying demand from issuers.

The BoE report, published in its quarterly review last week, argues that a high-yield market in the UK would usefully broaden financing options for European companies.

Junk bonds are high-yield bonds that are either unrated by the main credit rsting agencies or hsve a rating below investment grade – BBB– from Standard & Poor's or Baa3 from Moody's. Investors are rewarded with higher yields to reflect inferior covenants and greater risk of default.

It is a massive market in the US, with more than $100bn of bonds expected to be issued this year. In Europe, it is likely to be about 1 per cent of that, even in what is fast becoming a boom year for issues.

But what is going to spark the change? The BoE report points out: "UK investors have so far shown little appetite for high-yield debt. There seem to be two kinds of potential obstacles: investors' ability and willingness to evaluate and then manage them; and restrictions – administrative or statutory – on investment powers."

However, in the lead-up to European aconomic and monetary union, the traditional European high-yield bonds of old – Italian BTPs and Spanish Bonos – have seen yields converge towards those of German bunds. And a lower inflationary environment has also increased demand for yield.

Credit risk is likely to replace currency risk as the tool for outperforming benchmarks. And with the removal of currency barriers throughout Europe, thare will be a more homogeneous pool of funds to pour into a high-yield bonds.

There is also plenty of potential new supply. Pierre-Olivier Masmejean, managing director of European high-yield at Donaldson Lufkin & Jenrette, argues that Emu will encourage European corporate demand for debt. "There will be massive corporate restructuring in Europe, so there will be much more debt issuance," he said.

The current increase in mergers and acquisitions activity, and the build-up of venture capital funds for buy-outs should also increase demand for leveraged financing. Venture capitalists use high-yield bonds to provide partial funding for deals. And a more developed high-yield market could also finance takeovers by listed companies.

Maid, the UK electronic information group, is currently working on one of the biggest sterling-denominated issues to help pay for its $420m acquisition of Knight Ridder Information. It plans to raise about £120m through a bond issue.

Of course, junk bond financing for leveraged takeover bids is deemed one of the contributors to the last recession in the US. But all the participants are adamant that it is different this time.

Mr Graham Clempson, co-head of European Finance at Bankers Trust, said: "The high-yield bond market can provide cheaper capital than the equity market, in terms of funding growth. It can be more flexible than the bank market, because of looser covenants. And it is more permanent, providing longer maturities." However, banking and legal fees and high interest charges mean companies have to pay a high price for the flexibility offered by junk bonds.

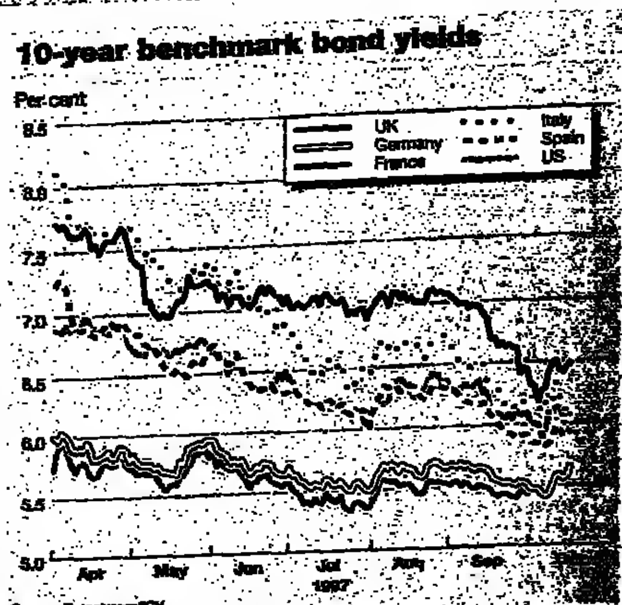
The big American securities houses are building up resources in the hope of taking business away from the traditional European banks. And fund managers are also bringing in teams of credit analysts to enable them to evaluate the market.

There are potential problems. At this stage, fund managers cannot develop diversified portfolios of junk bonds, since there are not enough of them. So the impact of any default would be disproportionately high.

Furthermore, there is a less developed market in distressed debt in Europe, which increases the risks for investors in the case of defaults.

Nonetheless, issuers will be encouraged by the fact that the spread between the yields on European junk bonds and government bonds has narrowed substantially during the year. And all the investment banks are anxious to avoid poor issues in the early stages, which would cripple a potentially profitable market before it gets going.

10-year benchmark bond yields



Source: Datastream/ICV

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy
Discount	5.00	0.50	2.50	3.30[1]	6.25
Overnight	n/a	n/a	3.31	3.35	6.81
Three month	5.02	0.44	3.56	3.50	6.40
One year	5.51	0.46	4.12	4.02	5.89
Five year	6.04	1.19	5.25	5.18	5.74
Ten year	6.12	1.98	5.67	5.71	6.19

(1) France-Intervention rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Pacific Construction Co(a)§	75	Oct 2004	0.85	100.00	-	-	Bankers Trust Intl
Inter-American Dev Bank(f)	1bn	Oct 2007	6.375‡	99.373R	6.461	+34(6¼%-Aug07)	Merrill/JP Morgan
European Investment Bank	500	Oct 2002	6.125	99.607R	6.219	+14(5⅞%-Sep02)	ABN Amro/Merrill Lynch
CoreStates Bank‡	500	Oct 2002	(a)	99.828R	-	-	JP Morgan Securities
Suncorp-Metway‡	350	Oct 2002	(b)	99.825R	-	-	Deutsche Morgan Grenfell
African Development Bank	300	Oct 2002	6.25	99.704R	6.321	+23(5⅞%-Sep02)	Lehman Brothers Intl
CSFB (London Branch)(d)§	200	Nov 2005	2.00	100.00	-	-	CSFB
Bayerische Hypo	200	Nov 1999	4.625	97.27R	6.116	+22(5⅞%-Sep99)	Commerzbank
BG Bank(e)‡	150	Oct 2005	(k1)	100.00	-	-	JP Morgan Securities
Triangle Fdg 97-1, C1(q1)‡	1.3875	Nov 1998	(q1)	100.00R	-	-	CSFB
Triangle Fdg 97-2, C1(q2)‡	1.86	Oct 2003	(q2)	100.00R	-	-	CSFB
Triangle Fdg 97-3, 1B(q4)‡	1.041	Oct 2005	(q4)	100.00R	-	-	CSFB
Gillette Co	300	Nov 2000	6.00	99.785R	6.081	+14(6⅛%-Aug00)	ABN Amro Hoare Govett
European Inv Bank(c,l)	100	Dec 2007	7.00	101.675	-	-	Barclays
DePfa Bank‡	750	Jan 1999	(D,s)	100.10	-	-	Lehman Brothers Intl
Royal Bank of Canada(a)‡	500	Oct 2002	(E)	99.87R	-	-	Morgan Stanley DW
Natexis Banques(f)	500	Nov 2000	6.00	99.768R	6.086	+14(6⅛%-Aug00)	Dresdner/Merrill/TM
Evergreen Funding, A(f)‡	252	Nov 2010	(F1)	100.00R	-	-	Salomon Brothers Intl
Discover CMT, 97-3(H)‡	650	Oct 2004	(H1)	100.00	-	-	Morgan Stanley DW
Bank of Nova Scotia‡	500	Nov 2002	(J)	99.971R	-	-	Barclays
Cleveland Electric, A(f)♣	150	Nov 2009	7.43‡	100.00R	7.43	+138(6¼%-08)	Morgan Stanley DW
Cleveland Electric, B(f)♣	300	Nov 2017	7.88‡	100.00R	7.88	+150(f)	Morgan Stanley DW
Metrocall(K)	200	Nov 2007	9.75‡	100.00	9.750	+371(6¼%-07)	Morgan Stanley DW
New Sth Wales Tsry Corp‡	187	Oct 1999	5.5925	100.00	5.953		Merrill Lynch Intl
Banque Audi(L)	75	Nov 2007	(L1)‡	99.882R	8.529	+250(5⅞%-02)	Merrill Lynch Intl
D-MARKS							
Jaakko Poyry Group(d)♣	100	Oct 2002	(d1)	100.00	-	-	Chase Manhattan Bank
BNDES(m)	400	Oct 2017	9.00	100.25R	8.973	+303(6%-16)	CSFB Frankfurt
Triangle Fdg 97-3, 1A(q3)‡	600	Oct 2005	(q3)	100.00R	-	-	CSFB Frankfurt
SBC Jersey Branch(n)§	200	Nov 2002	1.25	97.25	-	-	SBCW Frankfurt
Republic of Turkey(5)	500	Oct 2007	8.125	98.50R	8.352	+273(6Jul07)	CSFB/Deutsche MG
STERLING							
Aire Valley Fin, Cls A1(n1)‡	300	Nov 2039	(n1,l)	100.00R	-	-	NatWest Markets
Aire Valley Fin, Cls A2(n2)‡	567	Nov 2039	(n2,l)	100.00R	-	-	NatWest Markets
Aire Valley Fin, Cls A3(n3)‡	68	Nov 2039	(n3,l)	100.00R	-	-	NatWest Markets
FRENCH FRANCS							
Deutsche Ausgleichsbank	2bn	Oct 2008	5.75	99.904R	5.762	+14(f)	CDC/Deutsche MG
Hypo in Essen(c)‡	850	Nov 2002	(c1)	100.25	-	-	CCF/Commerzbank
Asset Backed Capital(n)	300	Nov 2017	(n1)	100.00	5.89	-	Morgan Stanley
MBNA ERSO(v,l)	3bn	Nov 2002	5.25	99.947R	5.262	+19(f)	Merrill Lynch Finance
CCB(w)	1.5bn	undated	(w1)	99.817R	6.260	+60(f)	JP Morgan & Co
Bayerische Landesbank(x)	500	Nov 2009	(x1)	100.35	-	-	JP Morgan & Co
IRISH POUNDS							
BGB Finance Ireland	40	Oct 2008	6.00	97.48	6.308	+25(6¾%-Aug08)	NCB/Ulster Bank
LUXEMBOURG FRANCS							
Kingdom of Sweden(l)	2bn	Dec 2004	5.375	102.20	5.00	-	ABN Amro HG/BGL
European Inv'ment Bank(l,l)	2bn	Apr 2004	5.25	102.125	4.84	-	BIL/C Europ/Paribas
BGB Finance Ireland	2bn	Dec 2005	5.50	102.50	8.11	-	Crédit Européen-BGL
SWISS FRANCS							
Daewoo Electronics Co(d)♣§	120	Oct 2002	1.00	100.00	-	-	CSFB
Assoc Corp of Nth America‡	400	Sep 2001	(d4,s)	100.00	-	-	Merrill Lynch Cap Mkts
ITALIAN LIRE							
Asset Backed Capital‡	300bn	Nov 1999	(e)	100.00R	-	-	JP Morgan Securities
European Inv'ment Bank(e)‡	225bn	Dec 2007	(e1,ß)	101.125	-	-	BCI/Cariplo/JP Morgan
European Inv'ment Bank(v)‡	750bn	Apr 2004	(v1,s)	99.90R	-	-	Credito/Paribas
WestLB Finance Curacao	400bn	Dec 2003	5.75	101.185	4.816	-	[illegible]
SNCF‡	200bn	Nov 2007	(f)	99.825R	-	-	BCI/Cariplo/JP Morgan
Asset Backed Capital(g)‡	100bn	Nov 1999	(h1)	100.00R	-	-	JP Morgan Securities
DANISH KRONER							
European Inv'ment Bank(i)‡	400	Dec 2002	5.50	101.98	5.047	-	[illegible]
GMAC	400	Dec 2001	5.75	101.85	5.198	-	Bank Brussels Lambert
NEW ZEALAND DOLLARS							
Federal Natl Mtg Assoc♣	450	Oct 2007	zero	51.521	6.857	-	[illegible]
JFM	100	Nov 2007	8.75	100.095	8.738	-	[illegible]
DRACHMA							
Norddeutsche Landesbank	10bn	Nov 1999	8.375	99.79R	8.495	-	[illegible]
European Inv'ment Bank	30bn	Sep 2002	(k)	100.30	-	-	[illegible]

Final terms, non-callable unless stated. [illegible]

CRÉDIT NATIONAL

US$100,000,000 Subordinated collared floating rate notes 2005

For the period 20 October 1997 to 20 April 1998 the notes will bear interest at 5.625% per annum. Interest payable on 20 April 1998 will amount to US$28.44 per US$1,000, US$284.38 per US$10,000 and US$7,109.38 per US$250,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

FORD CREDIT AUTO LOAN MASTER TRUST

Series 1997-1, Floating Rate Auto Loan Asset Backed Certificates

Due April 15, 2002

(ISIN Number: XS0075763150)

In accordance with the terms of the documents governing the above-referenced Certificates, notice is hereby given that the Certificate Rate per annum for the Interest Period commencing October 15, 1997, to January 14, 1998, shall be 5.84781%. The amount of interest payable on January 15, 1998, in respect to each U.S. $1,000 principal amount of Certificates will be U.S. $14.9444033.

THE CHASE MANHATTAN BANK as Calculation Agent

October 20, 1997

IMI S.p.A.

In conformance with article 6 of Consob Regulation approved with the resolution no. 8195 of 30 June 1994, notice is hereby given that copies of the Six-Month Report of the Company as of 30 June 1997, containing the consolidated data of the Group, have been deposited at the Company headquarters and at the headquarters of the Consiglio di Borsa (Council of the Bourse) and will be provided upon request.

The independent auditor's opinion is included in the Report.

ISTITUTO MOBILIARE ITALIANO S.p.A.

Registered Office: Viale dell'Arte, 25 Rome, Italy

Paid-up Share Capital LT 3,000 billion.

Inscribed in the Company Register in Rome no. 10945/91 (Tribunal of Rome) - Inscribed in the Registry of Banks and Parent Company of the IMI Group - Inscribed in the Registry of Banking Groups - Member of the Interbank Deposit Protection Fund

Gengold

SEPTEMBER 1997 QUARTERLY RESULTS

Copies of the September 1997 quarterly report and development results are available from the London Office and internet web site http://www.gengold.co.za

London Secretaries
Gengold
1-3 Strand
London WC2N 5HA
Tel: 0171 747 3800

20 October 1997

CHEVY CHASE MASTER CREDIT CARD TRUST II

U.S.$138,000,000

Class A Floating Rate Asset Backed Certificates, Series 1995-B

U.S.$12,000,000

Class B Floating Rate Asset Backed Certificates, Series 1995-B

Class	Interest Accrual Rate	Coupon Amount (USD)
A	5.67500%	U.S.$743,187.50
B	5.99500%	U.S.$65,945.00

Libor Determination Date: 13/10/97

Accrual Period: 15/10/97 to 16/11/97

Days in Accrual Period: 33

These Interest Accrual Rates and Coupon Amounts should be used when determining the interest payable on Monday, November 17, 1997.

October 20, 1997

Bankers Trust Company as Trustee

GBP 10,000,000

YORKSHIRE BUILDING SOCIETY

Floating Rate Subordinate Notes due 1999

Interest Rate 8.125%

Interest Period October 15, 1997 January 15, 1998

Interest Amount due on January 15, 1998 per GBP 100,000 GBP 2,047.95

BANQUE GÉNÉRALE DU LUXEMBOURG

Agent Bank

1410/1441 Broadway Finance, Ltd.

US $174,300,000

Guaranteed Secured Floating Rate Notes Due 1999

For the period from October 14, 1997 to April 14, 1998 the Notes will carry an interest rate of 6.2203% per annum with an interest amount of US $1,572.36 per US $50,000 principal amount of Notes payable on April 14, 1998.

First Trust of New York, N.A. Agent Bank

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

	Discount Market deps	$8\frac{13}{16}$ - $8\frac{1}{2}$	7 - $6\frac{7}{8}$	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$2\frac{1}{2}$	$5\frac{1}{2}$	5	5	$4\frac{3}{4}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{4}$pc.
Ave. tender rate of discount on Oct 17, 6.9377pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 30, 1997. Agreed rate for period Oct 26, 1997 to Nov 25, 1997, Scheme III 8.54pc. Reference rate for period Aug 30, 1997 to Sep 30, 1997, Schemes IV & V 7.294pc. Finance House Base Rate $7\frac{1}{2}$pc from Oct 1, 1997

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.04	95.05	+0.02	95.07	95.02	110	4,870
Mar	95.02	95.06	+0.01	95.06	95.00	249	4,209
Jun	-	94.99	-	-	94.96	53	263

All Open interest figs. are for previous day

BANK OF ENGLAND TREASURY BILL TENDER

	Oct 17	Oct 10
Bills on offer	£100m	£100m
Total of applications	£493m	£571m
Total allocated	£100m	£100m
Min. accepted bid	£98.265	£98.265
Allotment at min. level	24%	40%

	Oct 17	Oct 10
Top accepted rate	6.9590%	6.9590%
Ave. rate of discount	6.9377%	6.9490%
Average yield	7.0596%	7.0714%
Offer at next tender	£100m	£100m
Min. accept. bid 28 days	-	-

■ Pound in New York

Oct 17	—Close —	– Prev. close –
£ spot	1.6180	1.6175
1 mth	1.6160	1.6155
3 mth	1.6120	1.6115
1 yr	1.5870	1.5858

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Exeter Trust Limited	8.00	●Singer & Friedlander	7.00
Allied Irish Bank (GB)	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	1.00
●Henry Ansbacher	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	67.00	Unity Trust Bank Plc	7.00
Bank of India	6.75	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00		
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
Duncan Lawrie	7.00	Royal Bk of Scotland	7.00		
		Scottish Widows Bank	7.00		

● Members of London Investment Banking Association
* In administration

OTHER STATISTICS

STOCK INDICES

[illegible]

RIGHTS OFFERS

[illegible]

BANK RETURN

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

FTSE GOLD MINES INDEX

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

BANKS, RETAIL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

BREWERIES, PUBS & REST

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

BUILDING & CONSTRUCTION

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

BUILDING MATS. & MERCHANTS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

CHEMICALS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

CHEMICALS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

DISTRIBUTORS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

DIVERSIFIED INDUSTRIALS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

ELECTRICITY

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

ELECTRONIC & ELECTRICAL EQPT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

ENGINEERING

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

ENGINEERING - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

ENGINEERING, VEHICLES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

EXTRACTIVE INDUSTRIES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

EXTRACTIVE INDUSTRIES - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

FOOD PRODUCERS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

GAS DISTRIBUTION

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

HEALTH CARE

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

HEALTH CARE - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

HOUSEHOLD GOODS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

INSURANCE

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

INVESTMENT TRUSTS

	Notes	Price	Wk% ch'nge	Div net	Mkt capital	Last xd	City line
[illegible]							

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Mkt capital	Last xd	City line
[illegible]							

INV TRUSTS SPLIT CAPITAL

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mkt capital	Last xd	City line
[illegible]								

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official List.

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind R		£22½	—	0505c	◆	May Oct	26.8	–
Barlow	‡†	£7	0.7	0108c	3.3	Jan Jul	8.12	–
Gold Flds Prop R		155½	-3	065c	1.5	Feb Oct	7.9	–
SA Brews		£17¾	-3.4	0297c	◆	Jul Feb	2.6	4113
Standard Bank		£28¾	3.1	0434c	–	Sep Mar	25.8	–
Tiger Oats	†	1060	7.8	0398c	2.8	Jan Jul	9.6	–
Tongaat-Hulett		761½	4.8	0142c	◆	Jan Jul	17.6	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ∥ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Assumed dividend. e Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** Viglen Tech (E&EE), Rasbourne Merlin Life SciatnTr), Coffee Rep, Computerland UK, Kingfisher Leis (AIM). **Deletions:** Sherriff (B&C), BTR Wrts 1997 (Dvln), Hewlett-Packard (E&EE), Bridon, Unicorn Intl (Eng), Straits Res (Exln), Edinburgh US Tracker B, M&G Eq Div, First Philippine (InTr), Grampian TV (Med), SFT (OtFn), Nobo (PP&P), Sunguard Data Syst (SpSv), Ashurst Tech (AIM).

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FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements. Company Focus (FT news) £8.45. Focus Plus (FT and Investors Chronicle news) £10.95.

To order, call 0121 200 4678.

Reports published by ShareFinder.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Offshore Funds and Insurances

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Astra Master Fund (u) (x)

American Phoenix Investment Portfolios (x)

BAII Asset Management Ltd

Bank Von Ernst & Cie AG

Fleming Group - Contd.

Foreign & Colonial Emerging Markets Ltd (a)

Foreign & Colonial Portfolios Fd Sicav(a)

Frontrunner I (u)

GT Global

Morgan Stanley Sicav - Contd.

ACM Offshore Funds - Contd.

Credis Investment Funds - Contd.

Daiwa Japan Small Equity Fd (u)

Dicam Worldwide Investment Fund

The Dragon Fund Sicav

Merrill Lynch Asset Management - Contd.

Tower Fund

Tweedy, Browne Value Funds

Unico Financial Services SA Lux

Union Bancaire Privee

Friends Provident International

General International Limited

Hansard Europe Limited

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 50p per minute at all times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4378.

OTHER OFFSHORE FUNDS

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 17 / Sch)

BELGIUM/LUXEMBOURG (Oct 17 / Frs)

CZECH REP (Oct 17 / Korunas)

DENMARK (Oct 17 / Kr)

FINLAND (Oct 17 / Mks)

FRANCE (Oct 17 / Frs.)

GERMANY (Oct 17 / Dm.)

GREECE (Oct 17 / Drachma)

ITALY (Oct 17 / Lire)

NETHERLANDS (Oct 17 / Fls.)

NORWAY (Oct 17 / Kroner)

POLAND (Oct 17 / Zloty)

PORTUGAL (Oct 17 / Escudo)

SPAIN (Oct 17 / Pts.)

SWEDEN (Oct 17 / Kronor)

SWITZERLAND (Oct 17 / Frs.)

TURKEY (Oct 17 / TkLira)

PACIFIC

JAPAN (Oct 17 / Yen)

HONG KONG (Oct 17 / H.K.$)

INDONESIA (Oct 17 / Rupiah)

MALAYSIA (Oct 17 / MYR)

NEW ZEALAND (Oct 17 / NZ $)

SINGAPORE (Oct 17 / S$)

SOUTH KOREA (Oct 17 / Won)

TAIWAN (Oct 17 / TW $)

THAILAND (Oct 17 / Baht)

AUSTRALIA (Oct 17 / Aust$)

AFRICA

SOUTH AFRICA (Oct 17 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 17 / Can $)

4 pm close

MONTREAL (Oct 17 / Can $)

4 pm close

Emerging markets: IFC Investable indices

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 17 1997								THURSDAY OCTOBER 16 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	226.86	2.2	208.03	172.24	208.60	205.78	10.9	3.71	228.73	209.27	173.45	207.42	208.35	243.87	209.89	213.05
Austria (24)	206.68	8.8	189.52	156.92	190.05	189.99	25.0	1.73	212.12	194.07	160.86	192.36	192.31	213.59	175.14	180.24
Belgium (27)	245.25	7.7	224.89	186.20	225.51	220.64	23.7	3.13	252.13	230.68	191.20	228.64	223.97	261.11	216.54	216.54
Brazil (30)	297.05	58.6	272.39	225.53	273.15	601.25	65.7	1.21	299.10	273.65	226.82	271.24	605.28	322.44	178.94	188.00
Canada (123)	225.08	19.9	206.39	170.89	206.97	225.93	19.9	1.68	226.36	207.10	171.96	205.27	227.53	233.68	175.83	175.83
Denmark (32)	419.14	19.1	384.34	318.22	385.41	384.03	36.0	1.33	426.84	390.51	323.69	387.07	385.72	429.78	327.98	331.03
Finland (28)	336.89	37.0	308.65	255.55	309.51	374.91	57.8	1.66	346.78	317.25	262.97	314.46	381.04	349.43	216.01	217.39
France (83)	235.95	10.2	219.36	179.14	216.97	219.53	25.8	2.40	242.06	221.46	183.56	219.51	222.19	246.23	189.33	196.33
Germany (59)	226.63	19.3	207.82	172.07	208.40	208.40	36.9	1.38	232.94	213.12	176.65	211.24	211.24	243.87	179.12	178.12
Hong Kong, China (66)	468.63	-7.8	429.73	355.80	430.82	465.69	-7.5	3.38	466.21	426.54	353.55	422.78	463.25	580.03	439.89	466.64
Indonesia (27)	126.08	-44.7	115.62	95.73	115.94	277.30	-16.1	2.44	120.43	110.16	91.32	109.21	274.06	254.90	117.56	202.77
Ireland (17)	385.43	17.2	353.43	292.63	354.41	372.78	36.2	2.60	390.92	357.68	296.46	354.50	374.34	394.88	305.64	305.64
Italy (53)	111.77	33.9	102.49	84.86	102.78	144.19	52.1	1.65	115.24	105.43	97.39	104.51	148.81	115.27	75.44	76.53
Japan (484)	118.49	-8.2	108.65	89.96	108.95	89.96	-5.0	0.89	119.43	109.27	90.57	108.30	90.57	145.08	107.57	144.56
Malaysia (107)	288.47	-52.2	264.52	219.02	265.26	360.24	-38.6	1.98	295.92	270.74	224.41	268.35	362.42	660.85	277.73	577.33
Mexico (27)	1866.38	53.0	1711.43	1417.01	1716.19	15810.63	50.6	1.54	1894.16	1732.96	1436.42	1717.69	16011.78	1898.64	1136.59	1211.18
Netherlands (19)	413.34	23.0	379.02	313.82	380.07	375.95	41.7	2.22	422.19	386.26	320.16	382.96	378.89	440.67	307.19	308.55
New Zealand (14)	94.13	2.6	86.32	71.47	86.56	77.64	13.0	3.94	95.54	87.41	72.45	86.64	76.71	96.47	83.03	91.84
Norway (41)	366.80	24.1	336.34	278.48	337.28	352.92	37.8	1.74	374.84	342.75	284.10	339.73	355.61	374.64	261.89	263.96
Philippines (22)	96.71	-52.5	88.68	73.43	88.93	162.91	-39.0	1.30	96.37	88.17	73.08	87.39	162.33	214.07	87.66	193.76
Singapore (42)	280.17	-33.3	256.91	212.71	257.62	200.89	-25.8	1.57	278.59	255.80	212.03	253.54	199.64	448.01	278.20	377.56
South Africa (43)	335.81	5.5	307.93	254.96	308.78	344.57	5.9	2.47	341.55	312.49	259.01	309.78	349.85	870.12	301.49	348.12
Spain (33)	254.04	15.9	232.94	192.87	233.59	287.28	32.6	2.35	261.45	239.20	199.27	237.08	291.55	277.33	183.80	183.80
Sweden (49)	507.05	20.2	484.95	384.97	466.24	572.94	34.4	1.81	522.11	477.68	395.94	473.47	584.52	538.94	390.24	390.24
Switzerland (33)	314.08	31.9	287.95	238.42	288.78	286.78	44.4	1.16	321.00	293.88	243.43	291.10	289.50	329.59	231.69	244.72
Thailand (38)	38.99	-59.3	35.75	29.60	35.85	55.78	-41.5	5.02	39.80	36.41	30.19	36.09	56.74	129.94	37.40	115.41
United Kingdom (273)	335.19	18.4	307.96	254.48	308.21	307.36	25.3	3.23	336.99	308.31	255.55	305.59	308.51	337.99	256.17	258.03
USA (634)	384.77	27.5	352.83	292.18	353.81	384.77	27.5	1.61	389.44	356.30	295.33	353.16	389.44	399.82	283.35	287.64
Americas (814)	352.25	27.6	323.01	267.44	323.91	296.73	27.7	1.91	356.41	326.08	270.28	323.20	300.24	365.75	258.48	263.28
Europe (711)	287.07	19.6	263.24	217.95	263.97	271.19	32.9	2.35	292.32	267.45	221.68	265.09	273.67	296.25	222.38	222.38
Nordic (150)	445.56	22.8	408.57	338.28	409.70	440.62	38.2	1.71	457.68	418.73	347.08	415.04	447.61	464.93	333.26	333.26
Pacific Basin (877)	132.85	-10.6	121.82	100.89	122.19	102.19	-6.7	1.43	133.75	122.37	101.43	121.29	102.70	160.86	127.19	159.96
Euro-Pacific (1588)	197.21	5.7	180.84	149.75	191.34	165.54	13.9	1.99	199.92	182.91	151.61	181.30	166.79	209.12	173.55	185.84
North America (757)	374.93	27.0	343.80	284.65	344.75	374.23	27.1	1.62	379.38	347.07	287.58	344.02	378.68	389.57	277.20	281.13
Europe Ex. UK (498)	255.28	20.6	234.08	193.82	234.73	245.49	37.0	1.83	261.89	239.60	198.60	237.49	248.59	267.07	196.51	198.51
Pacific Ex. Japan (393)	259.22	-17.8	237.70	196.81	238.36	241.74	-11.1	3.21	259.96	237.84	197.14	235.74	241.52	320.65	259.02	287.19
World Ex. US (1811)	202.03	7.1	185.26	153.39	185.78	173.08	14.8	1.97	204.73	187.31	155.26	185.66	174.36	212.89	176.94	187.69
World Ex. UK (2232)	253.52	15.9	232.47	192.48	233.12	228.74	16.6	1.62	256.96	235.11	194.88	233.03	229.14	262.96	211.16	215.30
World Ex. Japan (1961)	332.30	21.4	304.71	252.26	305.56	324.70	26.2	1.94	336.80	308.14	255.41	305.43	328.05	344.35	257.42	258.78
The World Index (2445)	260.47	16.2	238.84	187.75	238.50	233.99	20.5	1.79	263.79	241.34	200.04	239.21	236.28	268.47	216.15	218.98

 CONSTITUENT CHANGES FOR THE WEEK ENDING 17/10/97: Constituent change with effect 21/10/1997: Addition: France Telecom (Large Cap index) with share weighting 23.22% (France). Constituent change with effect 22/10/1997: Addition: Nycomed Amersham Ord & Non-Voting (Medium-Small Cap) (UK). Deletions: Nycomed A, Nycomed B (Norway). Constituent change with effect 29/10/97: Share weighting change: Lufthansa (100% weighting to 49.99% weighting) (Germany).

4 pm close October 17

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ss-Sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. § Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Oct 17	Oct 16	Oct 15	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7847.03	7938.88	8057.98	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	103.94	104.11	103.89	104.70 (31/7)	101.08 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	3254.43	3308.27	3359.27	3359.27 (15/10)	2222.07 (2/1)	3359.27 (15/10/97)	13.23 (8/7/32)
Utilities	242.29	243.90	242.64	245.82 (7/10)	209.47 (25/4)	258.40 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 7953.61 (8146.14) Low 7731.12 (7880.18) (Theoretical)
Day's high 7934.21 (8112.74) Low 7755.88 (7896.38) (Actual)

Standard and Poors	Oct 17	Oct 16	Oct 15	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	944.16	955.25	965.72	983.12 (7/10)	737.01 (2/1)	983.12 (7/10/97)	4.40 (1/6/32)
Industrials‡	1100.08	1112.87	1127.29	1148.82 (7/10)	865.42 (11/4)	1148.82 (7/10/97)	3.52 (30/6/32)
Financial‡	113.15	114.75	115.22	118.04 (7/10)	80.75 (2/1)	118.04 (7/10/97)	7.13 (4/9/74)
Others							
NYSE Comp.	496.57	502.30	506.89	514.21 (7/10)	389.47 (11/4)	514.21 (7/10/97)	4.64 (25/4/42)
Amex Comp	700.66	708.38	714.34	721.90 (7/10)	541.20 (28/4)	721.90 (7/10/97)	524.20 (16/7/96)
NASDAQ Cmp	1686.85	1699.86	1723.37	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	449.28	457.16	462.74	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

■ RATIOS

	Oct 10	Oct 3	Sep 26	Year ago
Dow Jones Ind. Div. Yield	1.66	1.66	1.69	2.18
	Oct 15	Oct 8	Oct 1	Year ago
S & P Ind. Div. yield	1.47	1.46	1.48	1.92
S & P Ind. P/E ratio	25.95	26.18	25.72	23.13

US DATA

■ MARKET ACTIVITY

● Volume (million)

	Oct 17	Oct 16	Oct 15
NYSE	623.250	595.978	504.675
Amex	34.625	30.591	26.282
NASDAQ	(u)	846.254	834.115

NYSE	Oct 17	Oct 16	Oct 15
Issues Traded	3,396	3,399	3,404
Rises	608	1,038	1,101
Falls	2,324	1,807	1,648
Unchanged	464	554	585
New Highs	56	186	163
New Lows	53	21	30

■ NYSE TRADING ACTIVITY — Volume : 630,365,000

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Compaq	15,932,200	69½	−3¼
Seagate Tch	8,704,000	32	−5⅜
Sears Roebuck	8,302,200	46¾	−1⅝
AT&T	7,708,200	45¼	+1½
Iomega	7,461,500	26⅞	+2⅛
IBM	6,078,800	95⅞	−4¼
LSI Logic	5,972,500	24⅜	+⅛
Merck	5,941,000	95	−2⅞
Gen Elec	4,898,100	68⅜	−¾
Coca Cola	4,774,500	58½	−¾

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Moc-Gray	13⅝	+2⅝	+26.1
Chyron Corp	6⅛	+1	+22.9
APT Satellite	16⅝	+2½	+17.7
Fst Washngtn	27⅝	+2⅝	+10.5
Downs			
Seagate Tech	32	−5⅜	−14.2
Dynatech	37¾	−5⅜	−12.3
Reebok	40¾	−4⅞	−10.1
Teradyne	50⅜	−5	−9.0

■ NASDAQ TRADING ACTIVITY — Volume : 932,632,000

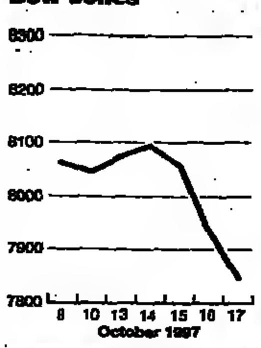
■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Sun Micro	40,606,105	38⅝	−3⅞
Appl Matl	24,934,100	41⅛	−2⅞
Intel	24,484,200	83	−2⅝
Imperial Cr	18,821,200	18⅛	
Ascend Com	17,906,000	34⅞	+1⅛
Dell Cmptr	15,833,200	94⅝	−3⅞
Three Com	11,707,500	49¾	−1⅞
P Com	11,397,700	22	−6
Microsoft	10,966,900	132¼	−1⅝
Worldcom	10,582,300	34¼	−⅝

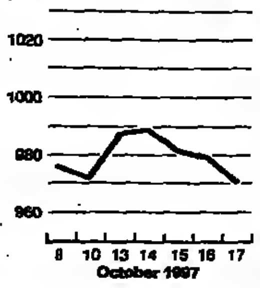
■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Comput Sys	28¼	+7⅞	+38.2
Infinity Fincl	16⅝	+2⅝	+19.1
Siebel Sys	40⅝	+4⅝	+11.3
Pope Res B	153½	+14¼	+10.3
Downs			
P Com	22	−6	−21.4
Asyst Tech	29	−5⅜	−15.6
Brooks Auto	32½	−4⅞	−12.5
Dupont Photo	54½	−7½	−12.1

Dow Jones



FTSE Eurotop 300



JAPAN

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
Deut Telekom	1,104,262	33	−0.65
BASF	935,202	60.1	−0.45
Lufthansa	907,621	32.02	−0.93
Veba	803,652	96.4	−3.2
Commerzbk	687,867	63.7	−0.5
Bayer	658,084	65.35	+0.3
Deut. Bk	571,498	122.75	+0.05
Siemens	474,708	119.6	−1.9
Hoechst	460,155	75.25	−0.8
Daimler-Benz	457,551	123.5	−0.85

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Peter. Wes Pf	8.75	+4.5	+5.4
Bausch	45	+2	+4.7
Linotype Hl	105	+4	+4
Downs			
AGIV	40.2	−3	−6.9
Strabag Pfr	127	−9	−6.6
Fielmann Pf	38.1	−1.9	−4.7
Ceag Ind	240	−10	−4.0
Mue Rck Rg	557	−23	−4.0

UK

[illegible]

■ ACTIVE STOCKS

Friday	Stocks traded	Close price	Day's change
BAT Inds	16,249,140	585	−11½
T&N	13,253,880	256	
BT	12,541,320	472½	+1
Shell T&T	11,168,120	457½	−10
BG	10,492,260	278	+5
Rolls-Royce	10,180,620	234	+2
Vodafone	9,875,760	364	+6½
GEC	9,415,265	416	+8
Burton	7,670,809	133	−¾
Unilever	7,472,584	478	−1

■ BIGGEST MOVERS

Friday	Close price	Day's change	Day's chge %
Ups			
Cham Design	130	+40	+44.4
EW Fact	57½	+13	+29.2
Whatney Mck	26	+4½	+20.9
Colliers Rep	33½	+5½	+19.6
Downs			
Blockleys	48½	−6¼	−11.8
Pace Micro	54½	−4	−6.8
TI Grp	631½	−38	−5.7
Airtech	101½	−6	−5.6

INDEX FUTURES

■ S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	958.95	948.65	−11.15	959.30	935.50	71,826	189,495
Mar	967.75	959.15	−11.20	969.50	946.25	457	4,109
■ Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	17450.0	17450.0	−310.0	17590.0	17360.0	21,386	163,825

Open interest figures for previous day.

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	2971.0	2972.0	−37.0	2986.0	2958.0	18,514	30,005
Nov	2980.0	2980.0	−37.0	2988.0	2970.0	3,981	11,942
■ DAX							
Dec	4109.0	4082.0	−105.0	4122.5	4045.0	28,096	81,844
Mar	4148.0	4100.0	−105.0	4158.5	4086.0	34	3,096

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Oct	2530.00	2501.00	−64.00	2542.00	2494.00	8,503	20,375
Nov	2541.50	2508.50	−62.25	2554.00	2508.50	503	4,579
■ SOFFEX							
Oct	5768.0	5735.6	−71.8	5770.0	5735.0	3,922	12,811
Nov	5760.0	5767.9	−48.8	5778.0	5748.0	6,172	17,018

WORLD MARKETS AT A GLANCE

Country	Index	Oct 17	Oct 16	Oct 15	1997 High	1997 Low	Yield	P/E
Argentina	General	24929.46	25237.31	25218.45	25425.47 19/10	18287.37 2/1	2.96	20.9

Market followed Wall Street's fall, with investors wary ahead of congressional elections on October 26.

Country	Index	Oct 17	Oct 16	Oct 15	1997 High	1997 Low	Yield	P/E
Australia	All Ordinaries	2645.6	2653.0	2668.7	2778.20 25/8	2352.20 1/4	3.42	18
	All Mining	750.7	754.9	765.6	987.10 24/2	750.70 17/10		

Stocks fell for seventh consecutive session, taking cumulative loss to 4.4 per cent.

[illegible]

Country	Index	Oct 17	Oct 16	Oct 15	1997 High	1997 Low	Yield	P/E
Hungary	Bux	7946.35	7984.36	7886.72	8483.80 5/8	4291.30 6/1	na	na

Broad market weak, in line with neighbours, but investors expecting strong quarterly earnings reports in coming sessions.

Country	Index	Oct 17	Oct 16	Oct 15	1997 High	1997 Low	Yield	P/E
India	BSE Sens.	4106.25	4077.05	4034.55	4548.02 5/8	3225.34 2/1		
	Crisil 500	747.55	742.24	734.93	843.28 5/8	622.71 2/1	na	na

[illegible]

Country	Index	Oct 17	Oct 16	Oct 15	1997 High	1997 Low	Yield	P/E
Poland	WIG	17897.6	18112.1	18052.2	18338.40 18/2	14421.60 6/1	1.33	12.8

Market pulled back after eight session advance but prices expected to pick up Monday as talks continue to form cabinet.

Country	Index	Oct 17	Oct 16	Oct 15	1997 High	1997 Low	Yield	P/E
Portugal	BVL 30	3627.91	3618.57	3580.93	3686.61 3/10	2165.57 2/1	1.65	26
	PSI 20	8459.82	8438.83	8347.56	8603.92 3/10	5152.34 2/1		

[illegible]

NASDAQ NATIONAL MARKET

4 pm close October 17

[illegible]

NASDAQ NATIONAL MARKET

[illegible]

AMEX PRICES

4 pm close October 17

[illegible]

EASDAQ

[illegible]

FT GUIDE TO THE WEEK

MONDAY 20

Defence talks

Japan hosts an Asian defence forum, bringing together defence officials from 20 Asia-Pacific countries to discuss regional security issues. The four-day meeting marks Tokyo's latest effort to carve a broader international security role, and follows Japan's agreement last month to expand defence co-operation with the US and provide *non-combat support to US forces* in regional conflicts. At the forum, Japanese defence officials are likely to address concerns raised by China and other Asian countries about Japan's growing military role.

LSE goes modern

The London Stock Exchange falls into line with the majority of the world's big equity markets with the introduction of order-driven electronic trading for the FTSE list of the top 100 shares.

Sol to Tokyo

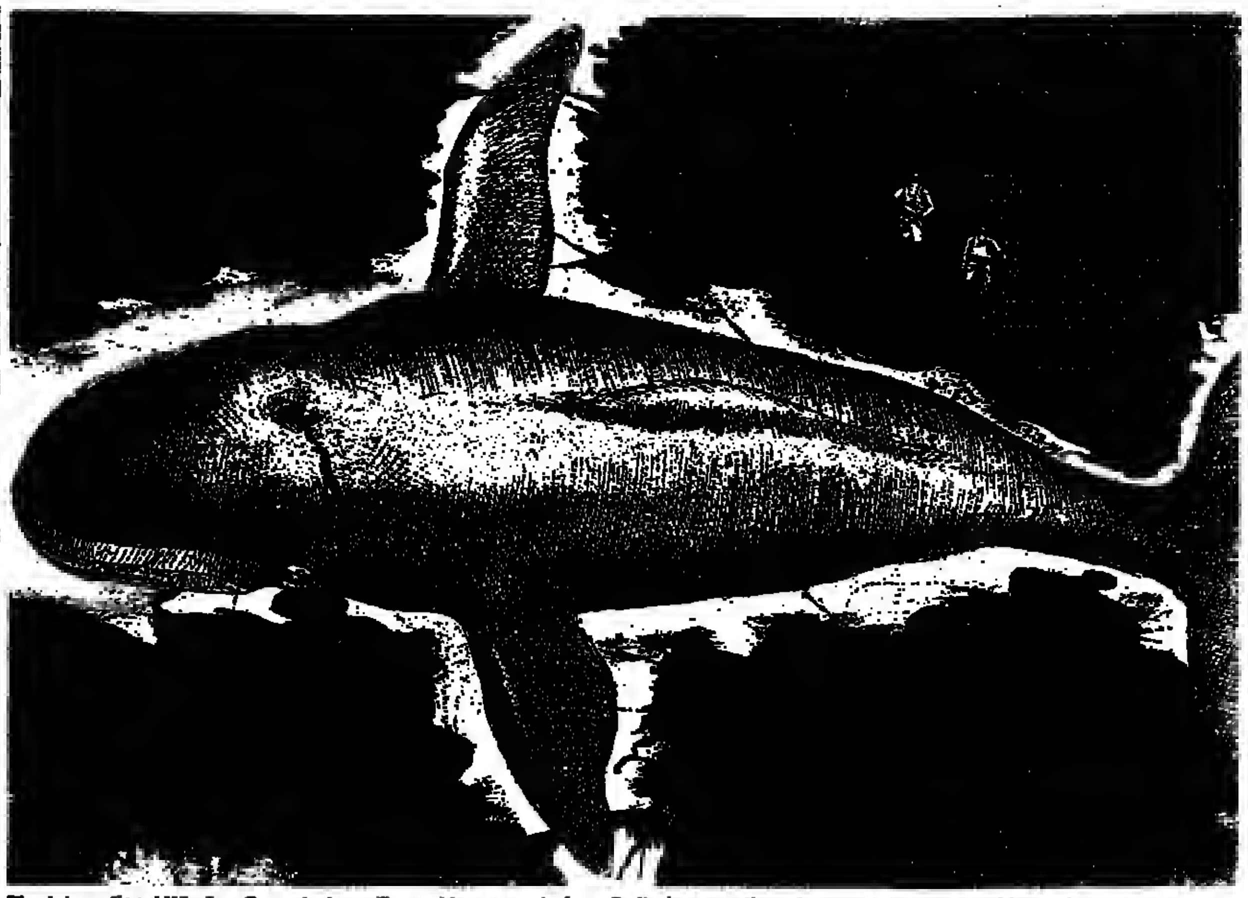
El Salvador president, Armando Calderon Sol arrives in Tokyo at the invitation of the Japanese government. Dr Sol will meet the Emperor and Japanese government leaders to discuss Japan's economic assistance to his country following the end of the civil war in 1992.

EU budget

The European Parliament meets in Strasbourg for a first reading of the EU's draft Ecu90bn (£62bn) budget. *MEPs will also* be considering its contributions to the special Luxembourg employment summit next month. Other points on the agenda include chocolate and food additives, with British MEPs leading efforts to secure access for British chocolate to the continental market without any changes in name or branding. The sitting ends on Friday.

Whale time

The International Whaling Comission begins its annual meeting in Monaco today. Although a final decision is unlikely this week, an important item on its agenda will be a new Irish *proposal for a compromise* on the vexed issue of commercial whaling by Japan and Norway. Ireland is suggesting the creation of an international whale sanctuary which would ban all commercial whaling in international waters but allow whaling for domestic consumption only in coastal waters. Britain, which has led opposition to all commercial whaling on the grounds that it is cruel and unnecessary, said last week it might agree to such a compromise if it led to a permanent reduction in the number of whales killed by Japan and Norway.



The International Whaling Commission will consider requests for a limited resumption of commercial whaling this week

Although governments have agreed a *moratorium on commercial whaling*, Japan and Norway have continued whaling under an IWC loophole allowing it for "scientific" purposes. The IWC will also examine requests from the US and Russia for quotas for whaling by aboriginal tribes, and see a renewed attempt by the UK to ban electric lances used to kill whales wounded but not killed by explosive harpoons.

UN on the case

The UN's special rapporteur on the independence of judges and lawyers begins a 10-day fact-finding mission to London and Belfast. Param Cumaraswamy of Malaysia plans to probe possible harassment of lawyers defending suspected Irish Republican Army (IRA) members. Mr Cumaraswamy will meet ministers, judges and lawyers and hopes to visit Northern Irish detention centres during his trip. The UN has received numerous allegations of harassment of defence lawyers by police, including reports of threatening telephone calls in the middle of the night. The case of a lawyer who was threatened and later killed in 1992 will also be on Mr Cumaraswamy's agenda.

Scotch mist

The National Society for Clean Air and Environmental Protection holds its annual conference, ending Thursday, in Glasgow.

Country matters

EU farm ministers gather today and tomorrow in Luxembourg to attempt to agree on a unified position on controversial proposals to reform the Common Agriculture Policy ahead of a planned *enlargement* eastwards in the next century. They will concentrate on sectoral reform. Several member states are still strongly opposed to planned cuts of up to 30 per cent in support prices for cereals, beef and milk.

Holidays

Guatemala, Jamaica, Kenya, Virgin Islands.

TUESDAY 21

Money talks

French national assembly opens debate on 1998 budget spending by ministry – starting with justice today, civil service, state reform and decentralisation on Wednesday and Thursday, infrastructure and transport on Friday.

Surveys:

Bulgaria, Venezuela

Holidays

British Virgin Islands, Burundi, *Hunduras, India, Somalia.*

WEDNESDAY 22

WTO breakaway bid

The general council of the World Trade Organisation meets in Geneva to decide whether to sever all links with the United Nations relating to pay and conditions of service of employees. WTO members decided in 1994 that the organisation should be outside the UN system but WTO staff (and their pension scheme) are still subject to UN pay and conditions drawn up in New York. Staff representatives say the move will be at worst cost neutral and at best will save money since UN rules do not permit efficiency measures including performance-based pay and regular fixed term contracts.

Print sale

Sotheby's sale in London of old master, 19th & 20th century and contemporary prints, including etchings and *lithographs from the personal* collection of 19th century French printmaker Felix Buhot.

Climate row hots up

Officials meet in Bonn for a final round of preparatory talks for international negotiations to combat climate change in Kyoto, Japan in December. The talks will try to narrow two main areas of disagreement looming ahead of the Kyoto meeting – over precise targets for reducing greenhouse gas emissions which industrialised nations have undertaken to negotiate at Kyoto, and over US calls on developing countries to settle on a timetable for agreeing curbs of their own.

Business forum

The Commonwealth Business Forum opens at the Inter-Continental Hotel in London. The two-day conference is designed to provide a business input into the Commonwealth summit opening two days later in Edinburgh, by exploring the Commonwealth's use as a network for encouraging trade and investment. The conference, jointly organised by the Commonwealth Secretariat, the UK government and the Financial Times, will be opened on Wednesday by Prime Minister Tony Blair, and addressed by seven other government heads.

Surveys:

South Africa, Aluminium

Holiday

Somalia.

THURSDAY 23

Japanese results

Leading Japanese securities companies will announce interim business results for the March-September first half of their business year. The impact of scandals *ensnaring all big four brokers* on charges of illegal dealings with corporate racketeers are likely to cut into their first-half earnings. Nomura Securities, the largest, has been particularly hard hit by penalties including fines and suspension from equity trading on its own account.

Emu views

Eddie George, governor of the Bank of England, and Leon Brittan, vice president of the European Commission, are key speakers at a Royal Institute of Economic Affairs two-day conference on European economic and monetary union in London.

Holidays

Hungary, Israel, Thailand.

Surveys:

The Netherlands, Biotechnology

FRIDAY 24

Commonwealth meets

The Commonwealth opens its four-day summit in Edinburgh, with trade and investment ostensibly at the top of an agenda that is, however, likely to be dominated by political issues of democracy and good government. Nigeria will be absent because it has been suspended from Commonwealth membership pending restoration of civilian rule there. But Commonwealth leaders will have to decide what further pressure, if any, they can bring to bear on Nigeria. After spending Sunday in *St Andrews* for their traditional "retreat" for informal talks, Commonwealth leaders end their summit on Monday.

Board battle

The Russians, the Olympiad champions, are top-seeded at the 10-nation world chess team championship in Lucerne, with Ukraine and the US leading contenders. But their top pair, Gary Kasparov and Vladimir Kramnik, have decided to stay away. England, led by Nigel Short and Michael Adams and sponsored by private bankers Duncan Lawrie, won the 1997 European title ahead of the Russians and are the only other country with three grandmasters in the world top 20. (until November 3.)

Holidays

Malaysia, New Zealand, Turks and Caicos Islands, Zambia.

SATURDAY 25

Foreign words

European Union foreign ministers meet in Mondorf, Luxembourg, to discuss a blueprint for the Union's planned enlargement to central and eastern europe. At issue is the cost, planned reforms of the Common Agricultural Policy, and how the 10 applicants should begin negotiations on entry early next year.

Motor function

The Tokyo Motor Show opens at the Nippon Convention Centre in Chiba, near Tokyo. More than 330 companies from 14 countries will participate in the 13-day show, which covers the newest technologies and products. The show will have its own website: *http://www.motorshow.or.jp/*

Holidays

Grenada, Kazakhstan, Taiwan.

Survey

Quarterly Review of Personal Finance (UK edition).

SUNDAY 26

Menem threat

Mid-term elections take place in Argentina in which half the seats in the lower house of Congress are up for re-election. Polls suggest the Peronist party of *President Carlos Menem* will lose its slim majority. This may not matter, since the president can build alliances with small provincial parties. More important for the president at least is how well the candidates of his arch-Peronist rival Eduardo Duhalde fare. If Duhalde candidates do well the way is eased for a Duhalde candidature in the 1999 presidential elections.

Spanish budget

The Spanish cabinet is expected to approve the 1998 budget.

Compiled by Roger Beale.
Fax: (+44) (0)171 873 3837.

ECONOMIC DIARY

Other economic news

Monday: A slew of important German data is released during the week, with inflation, producer prices and key money supply figures to be published. Interest will be in seeing is the Bundesbank's decision to raise rates was justified by domestic conditions.
Tuesday: The US balance of trade in goods and services is predicted to have eased somewhat in August, after the deficit in July widened by $2bn over June.
Wednesday: Preliminary estimates of the Italian Cities consumer price index for October are published on the 22nd and 23rd. The rise in sales tax will force up the rate of inflation, towards the forecast rate of 1.9 per cent for 1997.
Thursday: The continued downturn in Japan should see both sets of leading indicators of business conditions dipping below 50 per cent.
Friday: A big day for the UK economy, with third quarter GDP and visible world trade figures for August coming out. The GDP data may suggest the UK economy is expanding well above trend rates of growth, at around 4 per cent annual increase.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	SINGPORE	Sep non-oil domestic exports	6.8%	5.5%		FINLAND	Aug unemployment rate nott (SF)	13.7%	12.4%
Oct 20	CANADA	Aug wholesale trade†*	0.8%	2.1%		UK	Sep M4*	0.7%	0.6%
Tue	GERMANY	Sep Ifo west business climate index	99.1	98.9		UK	Sep M4**	11.8%	11.6%
Oct 21	SWEDEN	Aug current account	SKr3.5bn	SKr6.8bn		UK	Sep M4 lending	4.7bn	4.0bn
	CANADA	Aug merchandise exports†*	1.0%	2.8%		CANADA	Aug international C$ securities trans	C$700m	C$500m
	CANADA	Aug merchandise imports†*	0.5%	5.2%	Fri	FRANCE	Aug trade balance†	FFr20.5bn	FFr22.3bn
	CANADA	Aug merchandise trade surplus	C$1.7bn	C$1.7bn	Oct 24	FRANCE	Sep consumer price index final*	0.2%	N/A
	CANADA	Sep lead indicators†*	0.6%	0.6%		FRANCE	Sep consumer price index final**	1.3%	N/A
Wed	AUSTRLIA	Q3 consumer price index	0.1%	-0.2%		UK	Q3 prelim gross domestic product***	1.0%	1.0%
Oct 22	AUSTRLIA	Q3 underlying inflation	0.3%	0.3%		UK	Q3 prelim gross domestic product**	3.9%	3.5%
	FRANCE	Jul/Aug industrial production†*	1.4%	-0.1%		UK	Aug global visible trade	-£750bn	-£450m
	FRANCE	Jul/Aug industrial prod ex-energy*	2.0%	-2.0%		UK	Sep ex-EU visible trade	-£500bn	-£359m
	DENMARK	Sep consumer price index**	2.5%	2.5%		SWEDEN	Sep trade balance	SKr7bn	SKr7.9bn
	UK	Sep retail sales*	-0.5%	0.4%	Sat	MALAYSIA	Aug manufacturing sales**	N/A	7.7%
	UK	Sep retail sales**	5.4%	5.7%	Oct 25	TAIWAN	Sep M2**	N/A	7.09%
	MALAYSIA	Aug M3**	20.0%	21.0%		TAIWAN	Sep FX reserves	N/A	$87.8bn
	CANADA	Sep cons price indx all items nott*	0.1%	0.1%		H'KONG	Aug retail sales real	N/A	1.5%
	CANADA	Sep cons price indx all items nott**	1.8%	1.8%	During the week...				
	CANADA	Sep con pri ind ex-food/energy nott**	1.6%	1.6%		GERMANY	Sep M3 from Q4 96 base	5.7%	5.8%
	CANADA	Aug retail sales†*	0.9%	1.3%		SPAIN	Aug trade balance	-Pta167bn	-Pta210bn
	ITALY	Oct 11 cities consumer price index*	0.5%	0.2%		GERMANY	Sep import prices*	-0.1%	0.9%
	ITALY	Oct 11 cities consumer price index**	1.8%	1.4%		GERMANY	Sep import prices**	4.5%	5.4%
Thu	JAPAN	Aug coincident index	10.0%	90.0%		GERMANY	Aug trade balance	DM10.3bn	DM11.1bn
Oct 23	JAPAN	Aug leading differential index	27.8%	22.2%		GERMANY	Aug current account	-DM3.0bn	-DM3.4bn
	AUSTRLIA	Q3 AWOTE (wages) preliminary	1.0%	0.3%					

*month on month, **year on year, ***quarter on quarter, †seasonally adjusted. Statistics, courtesy *Standard & Poor's MMS.*

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 19.10.97 / Final Prices for Trading on 21.09.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	15.13	15.08	15.42	0.89
0100	14.56	12.01	12.36	0.89
0130	14.95	12.01	12.36	0.89
0200	15.83	12.01	12.36	0.89
0230	15.83	12.01	12.35	0.89
0300	15.83	12.01	12.35	0.89
0330	14.56	11.83	12.18	0.89
0400	14.56	11.83	12.18	0.89
0430	14.56	11.83	12.18	0.89
0500	14.56	11.83	12.16	0.89
0530	13.62	12.06	12.41	0.89
0600	13.62	12.06	12.41	0.89
0630	13.62	12.24	12.59	0.89
0700	13.62	12.24	12.59	0.89
0730	13.62	12.06	12.41	0.89
0800	13.62	14.53	14.86	0.89
0830	13.62	12.24	12.59	0.89
0900	20.03	14.80	15.15	0.89
0930	20.03	15.65	15.99	0.89
1000	20.03	15.74	16.09	0.89
1030	20.03	17.62	17.96	0.89
1100	21.66	18.13	18.48	0.89
1130	23.71	20.61	20.96	0.89
1200	24.95	20.61	20.96	0.89
1230	24.95	21.34	21.69	0.89
1300	24.95	21.34	21.69	0.89
1330	21.66	20.61	20.96	0.89
1400	21.66	18.13	18.48	0.89
1430	11.61	10.38	10.35	0.00
1500	10.30	10.36	10.69	0.00
1530	10.32	10.36	10.36	0.00
1600	10.30	10.39	10.69	0.00
1630	10.30	10.38	10.38	0.00
1700	10.69	10.36	10.35	0.00
1730	10.39	10.37	10.37	0.00
1800	11.61	10.37	10.37	0.00
1830	21.66	16.10	16.44	0.89
1900	31.66	16.10	16.44	0.89
1930	31.66	17.62	17.96	0.89
2000	33.72	18.13	18.48	0.89
2030	21.66	29.94	30.29	0.89
2100	21.96	29.94	30.29	0.89
2130	19.13	27.02	27.37	0.89
2200	19.13	27.02	27.37	0.89
2230	18.84	18.13	18.48	0.89
2300	18.64	17.14	17.49	0.89
2330	15.19	15.66	16.01	0.89
2400	18.19	14.80	15.15	0.89

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.50/MWh becomes 1.850p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) and final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 20.10.97 / Final Prices for Trading on 22.09.97

½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	12.03	15.36	15.55	0.96
0100	12.03	14.80	15.01	0.96
0130	12.03	14.80	15.01	0.96
0200	12.03	14.80	15.01	0.96
0230	12.03	14.80	15.01	0.96
0300	12.03	14.80	15.01	0.96
0330	12.03	14.80	15.01	0.96
0400	12.03	14.80	15.01	0.96
0430	12.03	10.30	10.30	0.00
0500	12.03	10.32	10.32	0.00
0530	10.41	10.20	10.20	0.00
0600	10.41	10.22	10.22	0.00
0630	10.44	10.34	10.34	0.00
0700	16.19	11.04	11.04	0.00
0730	28.92	19.33	19.54	0.96
0800	27.97	19.37	19.59	0.96
0830	28.92	22.40	22.64	0.96
0900	31.46	22.51	22.78	0.96
0930	43.11	22.80	23.11	0.96
1000	43.13	25.12	25.47	0.96
1030	43.15	25.17	25.54	0.96
1100	43.16	25.32	25.73	0.96
1130	58.82	39.87	40.32	0.96
1200	58.82	39.94	40.41	0.96
1230	58.81	39.78	40.20	0.96
1300	43.13	39.59	39.95	0.96
1330	43.11	24.98	25.28	0.96
1400	31.45	22.67	22.94	0.96
1430	31.45	22.63	22.88	0.96
1500	31.45	22.44	22.69	0.96
1530	31.45	22.43	22.67	0.96
1600	31.45	22.45	22.70	0.96
1630	31.47	22.53	22.81	0.96
1700	40.25	54.32	54.81	0.96
1730	40.29	54.27	54.54	0.96
1800	40.70	54.17	54.41	0.96
1830	52.36	28.59	28.80	0.96
1900	65.98	37.96	38.19	0.96
1930	69.59	43.17	42.45	0.96
2000	51.15	42.19	42.47	0.96
2030	44.02	42.18	42.43	0.96
2100	28.92	22.25	22.47	0.96
2130	28.92	19.94	20.15	0.96
2200	28.92	19.51	19.72	0.96
2230	28.75	19.38	19.53	0.96
2300	21.89	19.33	19.53	0.96
2330	16.19	19.38	19.53	0.96
2400	14.85	15.46	15.66	0.96

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.50/MWh becomes 1.850p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) and final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon [illegible]

MONDAY PRIZE CROSSWORD

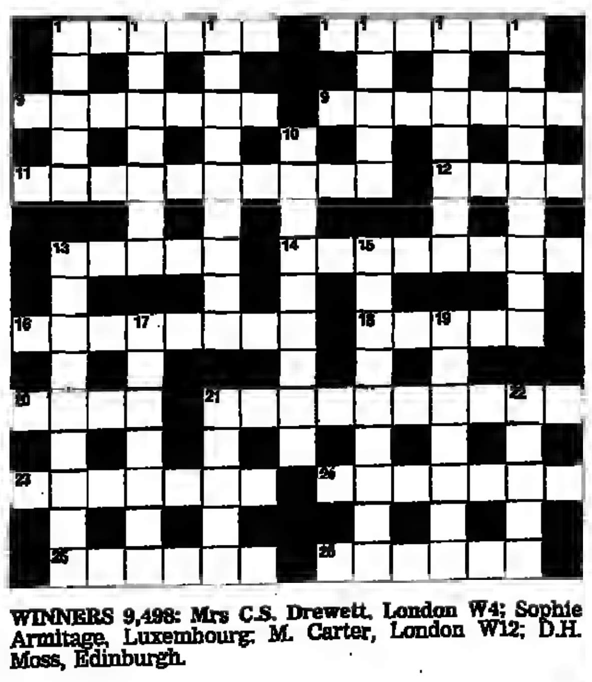
No.9,510 Set by DANTE

ACROSS

1 Church councils saying wickedness has the advantage? (6)
4 Conclude a telephone call leads to a personality problem (4,2)
8 Increase Aunt Meg's confusion (7)
9 Injured fliers returned to base (7)
11 A team captain who knows the score? (10)
12 Does badly in verse translation (4)
13 No end of good fortune concerning money (5)
14 Gave proof of the healthy bard's condition (8)
16 Married in the old-fashioned way (8)
18 Lowered oneself? (5)
20 Give out the wrong time (4)
21 Where they try and force soldiers to be good? (10)
23 It's a man in trouble – this will keep him going (7)
24 It's working in fashion she's found (7)
25 He's engaged in outdoor pursuits (6)
26 Winner takes part in rousing game (6)

DOWN

1 So American a composer (5)
2 Number in coma possibly wandering around (7)
3 Stupidity shown by a thick-head? (9)
5 Rock's ending in sacred place (5)
6 Having the hump (7)
7 Quietly go back to book for earlier instance (9)
10 Developed idea drawn from a bygone era (9)
13 The final, final chance to light a cigarette (4,5)
15 Observes and steals money (5,4)
17 An old empire sofa (7)
19 He and I are inseparable (7)
21 Bottled spirit .... (5)
22 .... and wood spirit (5)



Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday October 30, marked Monday Crossword 9,510 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday November 3. Please allow 28 days for delivery of prizes.

Name.........................

Address.........................

Solution 9,498

WINNERS 9,498: Mrs C.S. Drewett, London W4; Sophie Armitage, Luxembourg; M. Carter, London W12; D.H. Moss, Edinburgh.

JOTTER PAD